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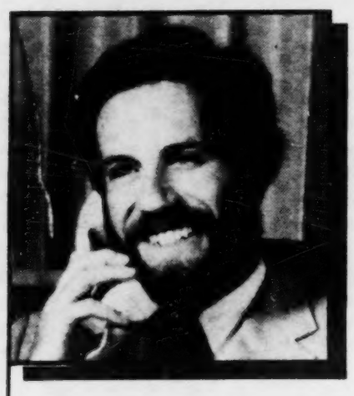
FDA approves aspirin heart therapy—p. 55

Special report:
Wholesale Drug Industry Annual Report—p. 29

DRUG STORE NEWS®

Vol. 7/No. 24 **Serving chains, wholesalers and high-volume independents for 56 years.** Published by Lebhar-Friedman Inc. November 11, 1985

FoxMeyer to acquire Ben Franklin, Coast to Coast



'The wholesale/ franchise business is one that we understand. Your retailers are a part of you, and when they grow, you grow.'

Richard Bard
president

'Ben Franklin has a lot of tired old stores. But a good Ben Franklin is like an Eckerd or Walgreens without a pharmacy.'

Bill Tauscher
chairman and ceo

Part of Household Merchandising deal

By Bruce Buckley

AURORA, Colo. — FoxMeyer, the country's third largest drug wholesaler, will acquire the wholesale/franchise operations of Ben Franklin variety stores and Coast-to-Coast hardware outlets as part of its investment in the $700 million leveraged buyout of Household Merchandising.

A subsidiary of Household International Inc., Household Merchandising also includes Vons Supermarkets and T.G. & Y. general stores. Last year the merchandising subsidiary generated net income of $49.6 million on sales of $5.4 billion.

FoxMeyer's partners in the leveraged buyout include members of the merchandising unit's management and Donaldson Lufkin & Jenrette Securities Corp., the New York investment banking firm. FoxMeyer's investment is being financed by bank debt.

The wholesaler's takeover of Ben Franklin and Coast-to-Coast, along with other projected growth, will propel the company to at least $2.7 billion in sales next year, according to Richard Bard, FoxMeyer's president.

In contrast, the nation's top two drug wholesalers, McKesson Drug Co. and Bergen Brunswig, will generate $2.8 billion and $1.9 billion, respectively, in wholesale drug sales during the current fiscal year. In the second quarter ended Sept. 30, FoxMeyer's net income increased 38% to $2.7 million on sales of $298 million, a gain of 85% over last year's comparable period.

Ben Franklin and Coast-to-Coast together boast more than 2,700 franchised outlets across the country. FoxMeyer sees the acquisition as an opportunity to penetrate new

Continued on page 68

Trump uses junk bonds to spin off 3 divisions

SEATTLE — The Trump Group, owners of Pay 'n Save Corp., is spinning off three divisions—Schuck's Auto, Lamonts and Bi-Mart—into Northern Pacific Corp., a newly formed Delaware corporation.

Northern Pacific Corp. will be capitalized by issuing $160 million in high-yield bonds. The offering is being managed by Drexel Burnham Lambert, perhaps the leading exponent of so-called "junk bond" financing.

These high-yield bonds, graded specifically as a speculative investment, will mature in 10 to 12½ years in $60 million, $50 million and $50 million amounts.

Why did The Trump Group go the "junk" bond route? A Trump spokesman said: "Because it provides more flexibility than an equity offering." A security analyst noted that "bonds have a fixed—rather than variable—rate, so it's a hedge against interest rates rising." Another source said Trump was unable to get financing any other way.

The remaining Pay 'n Save divisions will continue to operate under the Pay 'n Save corporate umbrella. These include Pay 'n Save Drug stores, Northwestern Drug (wholesaler), Ernst Home Centers and Yard Bird family shopping centers. Julius Trump,

Continued on page 70

The Stratford, N.J., unit opened last May.

Philly market gains second Rx Place unit

LEVITTOWN, Pa. — With its sights set on becoming a dominant force in deep discounting, F. W. Woolworth opened its second Rx Place in the Philadelphia market.

The new 17,000-sq.-ft. store is located in the Levittown Discount World Shopping Center, about 40 miles from the company's first Rx Place in Stratford, N.J., which opened in mid-May.

First-year sales of $6 million are projected for the new store.

According to Ken Colson,

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LATE NEWS....LATE NEWS....LATE NE

APhA HAS TEMPORARILY AVERTED a mass walkout by members of its Academy of Pharmaceutical Scientists via an agreement postponing final action on its sweeping reorganization plan until early next year. In return, dissident APhA scientists delayed a vote on their "secession" proposal pending Dec. 31 recommendations from a new joint task force formed to resolve APS demands for "autonomy" from APhA.

Drug stores expand personal

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Coupon machine a hit at Genovese

This is the first in a series of occasional articles focusing on new innovations in drug store merchandising and operations.

Merchandising Focus

By Tim O'Brien

MELVILLE, N.Y. — The world of electronic in-store coupon distribution is now largely dominated by supermarkets, but in a recent test, Genovese demonstrated the concept could also be an effective marketing tool in high-volume drug stores.

In the first two weeks of an eight-week test, an electronic coupon machine dispensed 2,439 coupons in one Genovese location on Long Island, New York. The store redeemed 24% of those, a remarkably high rate, compared to the national average coupon redemption rate of less than 4%.

"Once the customers realize we have the machine and get used to using it, I expect the redemption rate to surpass 40%," said Don Gross, vp of marketing at Genovese. After two weeks, Gross said the chain decided to roll out the distribution of the machine to more of its stores, but because of the cost of each, about $20,000, it will be a while before any additional stores get the machine.

"The Coupon Connection," as the machine is called, is an ATM machine, converted to run on special software developed by PromoVision Video Display Corp. Genovese was part of the 25-store test conducted by the company, and was the only nonsupermarket retailer selected to participate.

At this time, supermarkets

Continued on page 70

NEWS IN BRIEF

Bill limits lie-detector test use

WASHINGTON — Chain drug industry lobbyists have scored a partial victory in their campaign to sideline pending Federal legislation to outlaw polygraph testing by employers.

Although the House Education and Labor Committee approved a bill sharply limiting the use of lie detectors to screen out dishonest employees, the panel agreed to a compromise amendment under which pharmaceutical retailers, wholesalers and manufacturers will be allowed to require workers to submit to polygraph exams in connection with "a reported theft or diversion of a controlled substance."

Passage of that provision represents only a "half-loaf" for NACDS and other drug industry critics of the pending polygraph ban who had hoped for an even broader, across-the-board exemption.

Allied sells freestanding Rx's

DETROIT — Allied Supermarkets has sold all but one of its freestanding Family Discount Drug stores and has, according to company sources, started testing an in-store pharmacy department in one of its Great Scott! supermarkets.

Last month, Perry Drug bought four of the drug stores, and has an option on the fifth. Allied plans to keep the sixth Family Discount Drug store, located in nearby Plymouth, Mich.

While Allied may not get back into the freestanding drug store business, it is looking at the possibilities of creating in-store pharmacies within its chain of 19 supermarkets. "We opened a pharmacy in one of our newly remodeled stores just three weeks ago as a test," said Coleman, "and we've been very happy with the results so far."

Rite Aid's prez names execs

SHIREMANSTOWN, Pa. — Rite Aid's president and chairman, Alex Grass, has announced a series of executive promotions within the 1,359-store drug chain.

Three senior vice presidents have been named: Frank Bergonzi, finance; Howard Diener, purchasing; and Roger Grass, merchandising.

Two have been named vice presidents: Jerry Cardinale, merchandising and Joseph Groelly, automated store systems.

In addition, eight have been appointed to the position of assistant vice president: Barry Criss, store planning; Marlin Fike, computer operations: Daniel Garber, Rack Rite division; Raymond McKeeby, store operations: Michael Morris, store planning; Alan Reid, store maintenance; Barry Sheaffer, MIS development; and Fred Wendte, pharmacy operations.

Kroger nets $45M in 3rd quarter

CINCINNATI — The Kroger Co. has announced a third quarter net of $45 million, on sales of $5 billion, compared to year ago figures of $39 million and $4.6 billion.

Lyle Everingham, Kroger Co. chairman, said the improved earnings in the latest third quarter resulted from the "continuing cost cutting efforts as well as the increasing impact of the company's merchandising programs.

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Chain operated deep discount drug stores

Company (chain parent)	Est. $ volume 1985	Est. $ volume 1983	Est. $ volume % chg.	Total stores 1985	Total stores 1983	Total stores % chg.
1. Drug Emporium *Columbus, Ohio*	$374M	$136M	*175%*	68	34	*100%*
2. F&M *Warren, Mich.*	168	98	*71*	21	14	*50*
3. Rock Bottom (Courtesy Drug)* *Port Washington, N.Y.*	125	48	*160*	25	12	*108*
4. Phar-Mor *Columbus, Ohio*	120	12	*900*	20	3	*566*
5. Marc's *Cleveland, Ohio*	100	80	*25*	4	3	*25*
6. Heartland (Supermarket General) *Edison, N.J.*	70	27	*159*	14	9	*55*
7. Sack 'n Save (Minyard's Food Stores) *Waco, Tex.*	56	0	—	8	0	—
8. Drugs for Less (Safeway Inc.) *Los Angeles, Calif.*	48	12	*300*	13	5	*160*
9. Drug World (SupeRx Drugs) *Cincinnati*	32	6	*433*	13	3	*333*
10. Drug Castle (Brown Drug) *Springfield, Ohio*	30	9	*233*	3	1	*200*
11. Howie's/Carnevale (Shoppers Drug Mart) *Toronto, Canada*	28	4	*600*	7	1	*600*
12. Drug Palace (Rite-Aid) *Shiremanstown, Pa.*	25	6	*317*	10	3	*233*
13. Warehouse Drugs (Mi-Lo Food Stores) *Fort Mitchell, Ky.*	21	15	*40*	8	7	*14*
14. Pathmark Super Drug (Supermarkets General)** *Edison, N.J.*	20	0	—	4	0	—
15. Freddy's (Melville Corp./CVS) *Woonsocket, R.I.*	20	9	*122*	2	1	*50*
16. Jax's (Fisher Foods) *Cleveland, Ohio*	18	14	*29*	2	2	—
17. Warehouse Way (Chatham Food Stores) *Detroit, Mich.*	18	15	*20*	7	7	—
18. Value Giants (Pay Less NW) *Wilsonville, Ore.*	18	0	—	3	0	—
19. Ike's (Malone & Hyde) *Memphis, Tenn.*	16	10	*60*	2	1	*50*
20. DOT (Wal-Mart) *Bentonville, Ark.*	15	0	—	2	0	—
21. Total Plus (Dart Drug) *Landover, Md.*	15	10	*50*	5	4	*25*
22. A. L. Price (Perry Drug) *Detroit, Mich.*	15	6	*86*	4	2	*50*
23. Cost Cutters (Community Distributors) *Somerville, N.J.*	15	14	*275*	5	1	*400*
24. Cecille's *Detroit, Mich.*	15	12	*25*	1	1	—
25. Bud's (People's) *Alexandria, Va.*	13	0	—	3	0	—

Mature deep-discount stores generate tremendous volumes

The following is the second in a series of articles on the growth of the deep-discount stores.

In talking to retailers who have specialized for some years in deep-discount drug stores, *Drug Store News* found, in fact, that there were only a handful of $30 million or $20 million stores. Marc Glassman, apparently, has both, one of his own Marc's stores in Cleveland and the Shulman's he acquired several years ago from Bernie Shulman's widow.

Several sources who have been involved in deep-discount drug stores for many years estimate that only about 25 of the 300 or so stores now open are doing more than $10 million. Only 75, they feel, are doing more than $6 million or $7 million. The rest, they estimate, are doing $6 million or less.

Of course, these estimates take into consideration that only about 25% of all the deep-discount stores now in operation are over five years old.

The established deep-discount drug operators have learned that it takes "about five years" for a deep-discount drug store to realize its maximum return. This estimate is for a good store in a good location with the right people.

Continued on page 7

FINANCIAL

Thrifty net income jumps 14.2%; sales up 8.1%

LOS ANGELES — The Thrifty Corp. reported that unaudited net income for the year ended Aug. 31 increased 14.2% to $31.9 million from $27.9 million last year.

Earnings per share rose to $1.60 from $1.40.

Sales for the year were up 8.1% to $1.40 billion from $1.30 billion a year ago.

Thrifty reported that its Trak Auto West operation, which it shares in a 50-50 partnership with the Landover, Md.-based Dart Group, continued to act as a drag on earnings.

The company said that the loss of Trak Auto and earnings of Crown Books Corp., of which Thrifty holds a 34% interest, combined to reduce Thrifty's 1985 pretax income by $1.8 million. Thrifty did not break out the results of the two operations, which are based on the equity method of accounting.

Another negative was the flattening out of 1985 comparable-store sales gains in the fourth quarter. For the year, comparable store sales which do not include stores opened in the past two fiscal years, were up 5.9%, but for the fourth quarter the gain was 4%.

For the fourth quarter, unaudited net income increased 9.4% to $8.4 million from $7.7 million in the same period last year. Quarterly earnings per share increased to 42¢ from 38¢.

Sales for the three months were $363.3 million vs. $338.1 millon a year ago.

The Trak Auto results also created a drag in the final quarter. Thrifty reported that Trak Auto and Crown Books combined to reduce the period's pretax earnings by $778,000.

Gray performance promising

CLEVELAND — Gray Drug Fair turned a 1984 third-quarter loss into a profit for the third quarter ended Sept. 30, 1985.

Commenting on the results, Johan G. Breen, chairman, president and ceo of the drug chains' parent company, Sherwin-Williams, said: "Gray Drug Fair's continuing refinement of merchandising and operations, resulting in profitability during the quarter, must be continued for the division to achieve its goal of showing meaningful improvement for the entire year."

In fiscal 1984, the drug store division reported operating profits of $82,000, down from $5.9 million in 1983.

Overall, Sherwin-Williams said that net income for the third quarter increased 15% to $29.1 million from $25.3 million in the same year-earlier period.

Fully diluted earnings per share rose to $1.25 from $1.10 last year.

Sales were up 5% $578.8 million.

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 10/04/85 - 10/21/85							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. rate			Last Fiscal Year			Last Fiscal Year (Per Share)	
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct			Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	61.75	56.13	57.50	1.25	2.22	67.50	35.38	.19	-1.47	-.64	-13.39	5.71	1.67	S	42.0	34.0	1.5	10.2	.64	1.1	09-16-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	16.00	16.00	16.00	.00	.00	17.63	15.00	.04	-.10	4.45	66.67	1.26	-.07	Q	-5.0	3.0	1.1	12.1	.72	4.5	07-15-85	66.1	.7	1.7	13.77	18.84
Big B	BIGB	15.25	14.00	14.50	.13	.87	19.50	10.63	.12	-.53	-1.49	29.87	.68	.12	S	20.3	15.0	3.0	20.4	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	4.50	3.75	4.50	-.13	-2.70	6.13	3.38	-.46	3.30	2.65	-37.40	.35	-.12	Q	-24.0	NC	1.2	11.8	.60	13.3	05-09-85	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	31.50	28.63	29.13	-.88	-2.92	32.88	20.00	.21	-.74	4.03	-30.87	2.27	-.03	N	-1.4	2.0	3.3	13.5	1.04	3.6	09-09-85	2622.5	85.4	2.0	2.52	16.47
Fay's Drug	FAY	9.00	8.38	8.63	-.13	-1.43	13.00	8.13	.08	-1.24	-1.56	21.10	.62	-.22	S	-33.3	33.0	2.4	19.6	.20	2.3	09-23-85	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	10.50	10.00	10.13	-.13	-1.22	15.88	9.13	.15	-.58	-.55	2.72	1.03	.07	S	6.8	40.0	1.9	9.2	.20	2.0	09-24-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	28.38	24.88	27.75	2.25	8.82	31.13	21.31	-.12	.62	2.78	-1.90	1.88	.14	S	7.8	9.0	2.9	14.4	.72	2.6	08-27-85	1375.8	40.1	2.1	.00	12.23
Medicare Glaser	MGCO	4.75	4.25	4.50	.25	5.88	6.50	3.50	-.16	-.41	1.15	69.06	.05	-.47	Q	-100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Perry Drug	PDS	15.63	13.63	15.63	1.88	13.64	16.19	10.75	.18	.14	5.67	-24.44	.84	.09	N	11.0	14.0	2.1	17.2	.19	1.2	09-11-85	370.3	7.6	1.5	1.60	7.07
Revco Drug	RDS	29.13	25.13	28.63	2.38	9.05	29.13	22.50	.19	2.39	7.40	24.61	1.06	-1.61	Q	-63.9	-1.0	1.6	31.5	.80	2.8	08-19-85	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	24.38	21.50	23.63	1.63	7.39	33.50	21.50	.06	.36	-2.05	-7.08	1.69	.13	S	8.2	9.0	4.8	13.8	.50	2.1	10-07-85	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	19.75	18.13	19.75	.88	4.64	22.88	18.13	-.07	.54	4.26	32.37	1.40	.24	N	18.2	15.0	2.1	12.7	.60	3.0	05-06-85	1299.3	27.9	1.5	4.46	7.72
Walgreen Co	WAG	27.00	22.50	26.13	3.13	13.59	30.25	20.00	-.01	2.68	.66	-8.24	1.39	.20	N	15.0	20.0	3.1	17.1	.50	1.9	11-05-85	2744.6	85.4	1.7	.87	6.76
Wholesaler's transactions																										
Bergen Bruns	BBCA	27.13	25.75	26.38	-.75	-2.77	32.38	20.50	-.58	.21	2.39	13.51	1.91	.34	F	21.7	16.0	1.0	13.8	.32	1.2	07-26-85	2434.9	24.2	1.6	1.08	11.11
Bindley Wstn	BIND	10.75	10.25	10.38	.13	1.22	15.00	9.25	.17	-.45	-9.04	-.35	.73	.16	S	25.8	23.0	.8	13.3	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	16.75	16.00	16.75	.25	1.52	18.50	10.91	.01	.51	-.53	-17.24	1.01	.17	Q	18.9	NC	1.2	15.7	.08	.5	10-08-85	320.0	3.7	1.7	.94	8.85
Durr Fillauer	DUFM	11.00	10.00	10.00	-1.00	-9.09	15.25	9.81	-.75	-.70	.92	-41.63	.74	.13	S	19.1	15.0	1.7	12.3	.14	1.4	07-01-85	341.7	5.8	2.3	1.21	6.05
McKesson Cp	MCK	47.25	46.13	47.00	.25	.53	50.00	37.00	-.01	-.02	.04	-10.59	3.60	-.07	Q	-1.9	-1.0	1.3	12.8	2.40	5.1	08-27-85	4887.1	65.0	1.5	12.99	30.40
Foxmeyer Cp	FXM	24.25	23.00	23.75	-.25	-1.04	29.75	21.00	-.32	.09	2.42	-1.40	1.56	.16	Q	11.3	25.0	1.3	15.1	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51
Ketchum	KCH	21.88	17.38	20.63	2.50	13.79	22.97	13.47	.87	1.25	9.02	3.46	.56	-.03	Q	-4.9	NC	.2	35.6	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
Owens & Minor	OBOD	15.88	15.25	15.25	-.38	-2.40	16.63	8.00	-.06	-.66	-2.45	47.35	.95	.20	S	22.5	15.0	1.2	14.0	.28	1.8	09-10-85	306.7	3.6	3.0	5.35	8.54
Manufacturer's transactions																										
Abbott Labs	ABT	58.00	52.88	57.00	1.88	3.40	60.00	38.63	-.03	.43	.76	5.53	3.34	.52	N	16.3	17.0	13.0	15.3	1.40	2.5	10-08-85	3104.0	402.6	1.9	3.91	13.33
Am Home Prod	AHP	57.88	54.75	56.25	-.50	-.88	66.88	48.00	-.22	-.86	2.56	12.61	4.39	.26	N	6.0	11.0	15.1	12.3	2.90	5.2	05-07-85	4485.5	675.6	3.4	.26	13.74
Baxter Travenol	BAX	13.75	12.50	13.63	1.13	9.00	16.88	11.75	-.20	.14	1.81	-5.42	.21	-1.06	N	-82.8	-25.0	1.6	61.9	.37	2.7	09-09-85	1800.4	29.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	39.00	39.00	39.00	.00	.00	40.50	26.22	-.06	-.13	-2.19	-82.69	3.48	.36	Q	11.1	11.0	10.5	10.9	1.00	2.6	08-27-85	247.8	25.9	2.4	3.28	22.47
Bolar Pharm	BLR	14.63	12.50	13.88	-.13	-.89	22.63	11.25	.09	.05	-.63	-20.89	.61	.13	S	22.8	23.0	18.2	19.8	.03	.2	08-06-85	29.1	5.3	7.5	.00	3.70
Bristol-Myers	BMY	58.88	53.63	56.25	.63	1.12	66.50	47.25	-.14	-.60	.09	-10.24	3.45	.41	S	12.7	14.0	11.3	15.4	1.88	3.3	09-30-85	4189.4	472.4	2.5	.75	15.63
Carter-Wallace	CAR	40.13	36.50	37.00	-3.38	-8.36	46.63	24.75	.53	-1.66	.37	30.41	2.66	.38	Q	15.3	20.0	5.9	12.9	.60	1.6	11-01-85	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	24.50	23.13	23.88	-.13	-.52	32.50	12.13	.09	-.62	-4.48	-36.93	.73	.22	Q	39.3	14.0	17.4	30.6	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	10.88	9.75	10.38	.50	5.06	12.25	8.25	.48	-.80	-.25	-1.60	.00	-.09	S	-47.4	NC	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	9.25	8.00	8.25	-1.25	-13.16	12.75	8.00	-.83	-1.73	1.32	54.67	.61	-.04	S	-6.7	57.0	14.6	14.7	.20	2.4	09-09-85	151.1	22.1	3.4	2.52	1.60
Lilly Eli Co	LLY	90.63	86.75	89.88	.50	.56	90.63	60.13	.18	-.20	1.00	-18.26	6.73	.48	S	7.4	9.0	15.8	12.8	3.20	3.6	08-09-85	3109.2	490.2	1.7	1.63	31.04
Lee Pharm	LPH	7.88	6.13	7.00	.63	9.80	9.63	2.13	.56	1.39	6.04	6.93	.13	.38	N	NE	NC	6.2	29.2	.00	.0	00-00-00	8.1	.5	3.0	.20	1.73
Marion Labs	MKC	36.50	31.75	35.38	1.25	3.66	39.75	19.00	.14	-.55	-1.80	-26.13	.94	.32	F	51.6	34.0	12.2	37.6	.28	.8	09-16-85	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	114.38	106.38	112.63	6.00	5.63	117.75	84.50	-.05	.48	-2.34	-3.84	6.71	.63	S	9.9	5.0	13.8	16.1	3.20	2.8	08-30-85	3559.7	493.0	2.0	2.48	35.29
Morton Thiokol	MTI	34.25	31.75	33.00	.75	2.33	38.00	25.25	.04	-1.13	-.31	2.51	2.50	.29	Q	12.8	21.0	6.7	12.9	.64	1.9	08-26-85	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	15.25	13.50	15.00	-.13	-.83	26.00	11.38	-.50	-.27	-1.19	-19.42	.52	.38	S	115.2	64.0	23.3	21.1	.05	.3	02-19-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	11.88	9.75	11.63	1.75	17.72	13.75	5.38	.29	1.99	-.59	2.48	.05	.15	Q	NE	NC	6.7	NE	.80	6.9	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	17.00	15.00	15.00	-2.00	-11.76	23.25	8.50	-.18	-2.90	-1.43	32.52	.47	.09	N	22.0	NC	16.5	30.0	.00	.0	00-00-00	17.0	2.8	3.3	.00	1.84
Pfizer Inc	PFE	46.38	43.75	45.25	-1.50	-3.21	53.75	36.75	-.12	-.52	1.19	-19.52	3.08	.39	S	13.5	15.0	13.2	13.8	1.48	3.3	07-26-85	3854.5	507.9	2.3	2.10	15.45
Reid Prov Labs	REID	4.38	4.00	4.25	.00	.00	6.63	2.88	-.37	1.64	-2.05	29.29	.13	.00	F	.0	28.0	6.0	32.7	.04	.9	12-10-84	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	9.88	7.38	9.75	2.25	30.00	24.38	5.50	.66	1.67	2.88	37.10	-18.44	-20.13	S	-100.0	NC	-73.0	NE	.00	.0	11-19-84	631.9	-461.6	1.7	.47	-5.23
Rorer Group	ROR	46.75	40.75	42.50	-4.38	-9.33	47.00	24.00	.23	-.13	-.62	9.23	2.08	-.03	S	-1.4	5.0	8.5	20.4	1.12	2.6	08-05-85	522.1	44.3	1.9	2.18	11.07
Scherer RP Co	SCHC	13.25	12.25	12.63	.00	.00	13.50	8.63	-.08	-1.38	.30	-30.09	-.43	-.96	Q	-100.0	NC	-2.0	NE	.32	2.5	09-11-85	167.4	-3.4	1.7	4.07	9.72
Squibb Corp	SQB	70.88	67.63	70.63	1.38	1.99	72.88	48.63	.14	-.02	-1.07	-8.35	3.68	.39	S	11.2	18.0	10.5	18.3	1.76	2.5	08-12-85	1886.0	197.2	2.3	3.74	24.87
Sterling Drug	STY	37.13	33.75	34.50	.00	.00	37.13	26.25	.56	-.92	4.38	-17.23	2.37	.14	S	6.1	4.0	7.8	14.1	1.20	3.5	08-08-85	1827.3	143.4	2.6	1.32	15.34
Syntex Corp	SYN	67.50	63.88	66.50	2.63	4.11	67.50	45.25	.21	.18	.00	-28.05	4.65	.57	F	14.0	16.0	15.8	14.3	2.40	3.6	11-12-85	948.5	150.0	2.1	5.36	18.81
Thompson Med	TM	15.38	14.75	14.75	-.50	-3.28	18.38	13.25	-.19	-.27	3.32	41.99	2.20	-.67	S	-30.7	22.0	10.8	9.8	.40	2.7	09-24-85	197.2	21.2	4.3	.00	7.09
Upjohn Co	UPJ	123.00	108.75	116.75	3.75	3.32	123.00	61.75	.37	-.02	1.13	-2.31	5.67	-.61	S	-10.1	.0	8.0	21.6	2.80	2.4	09-27-85	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	37.75	33.75	36.75	-1.50	-3.92	46.50	31.88	-.36	.18	3.69	-35.24	2.81	.28	S	10.4	6.0	7.1	12.4	1.48	4.0	08-05-85	3166.7	223.9	1.7	6.47	18.18
Zenith Labs	ZENI	21.50	18.00	20.75	1.25	6.41	29.50	5.25	.23	.99	-1.49	-9.72	.28	.44	S	244.4	85.0	7.7	33.5	.00	.0	06-19-85	37.5	2.9	2.6	.27	1.99

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:
NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

Location is key for deep-discount stores

Continued from page 2

These same established operators also say that in their "good stores," they can break even at between $2 million and $3 million, but there are others, also good operators, who'll put that estimate at between $4 million and $5 million.

Today's deep-discount operator is functioning on a development tract they describe as "vastly different" from the one confronting the Shulman's and the Cohen's 20 to 30 years ago.

In those days, sources say, the most profitable way to establish the business was to open the store in a good location, stock it with basic consumables at highly attractive prices, make it "fun" and exciting to shop and wait for word of mouth to build business.

Today, sources say they can't afford to wait for word of mouth to get things going. They also can't afford to open just one or two stores and hope to maximize their return on investment within an acceptable stretch of time.

Instead, today's deep-discount operators are finding that they have to advertise their stores to bring in the business and that they frequently have to cluster the stores in groups of four, six, eight, 12 and more to maximize purchasing and advertising economies. They also have to buy a lot sharper because as they invade a new market, the competition fights back much more aggressively than anyone ever did against the Shulman's or Fred and Margaret.

Price of notoriety

"When F & M was young," says one source, "that first store, no one ever bothered with it. Today if an F & M or a Drug Emporium or a Drug Palace or an Ike's or a Bud's comes into town and puts up a sign: Revlon, 30% off; Timex, 30% off, everyone else does the same. The K mart does it, the drug stores do it. There are more and more people getting down to your competitive level and the price spread isn't what it used to be."

Necessity of advertising

One of the most appealing aspects of the early deep-discount drug store concept was that such stores were not burdened with advertising costs. But today most of the major deep-discount drug companies do double truck advertising in their local papers. Many also do radio and TV ads, and SupeRx managers of Drug World in the St. Louis market go out of their way to pepper local condominium communities and apartment house complexes with copies of their latest ad spreads. Not only is that advertising, but it's advertising with a personal touch that the managers report their apartment dwelling customers say they appreciate.

Location nurdles

In addition to additional advertising costs and mass expansion, today's deep-discount drug store operator also has to worry about finding convenient locations in populated markets at affordable prices.

Failure to find such locations has resulted in stores that can only be described as ghost towns. From St. Louis to Dallas, there are stores today that are located in marginal strip centers, without any other major retailer as a co-anchor, with poor signage, little visibility from the road, poor access and frequently surrounded by competitors closer to the major population source and generally not too much higher in price.

The other frequent scenario is for a store to have a good location in a major mall, with good anchors, fine visibility and access, but burdened with 30,000-sq.-ft. plus stores and rentals of $12 a square foot.

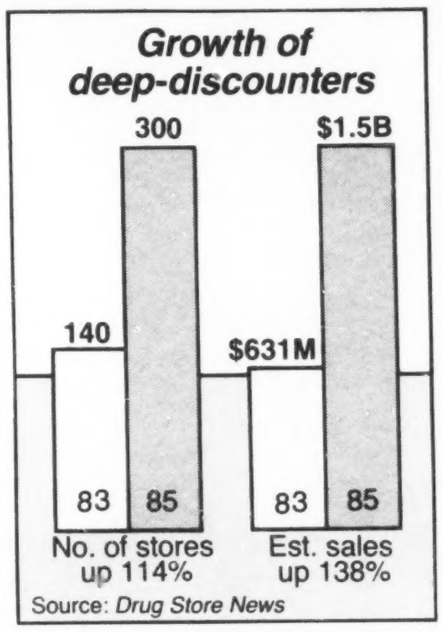
"To break even, they've got to hit $15 million," says one source, "and that is not easily done."

Even when the location problem has been solved and the lease has been signed on a conveniently located, highly visible and accessible site, today's deep-discount drug store's problems are only beginning.

Coping with competition

Once they've settled in after the grand opening there's the problem of the competition's reaction. The most common response is for competitors just to lower prices in stores that face direct competition and hope for the deep discounter to buckle.

Sometimes, competitors convert their conventional stores to their own reactive deep discounter; sometimes they try a direct mailing strategy targeted at the surrounding community. Sometimes they actually go to the trouble of reorganizing their own purchasing departments and try to fight the deep discounters tit for tat by buying on deal at the best possible prices and then passing these savings along to their customers. At the same time they let those customers know that "we discount fragrances or we discount cosmetics or we discount health & beauty aids."



Sometimes the result is that the deep discounter can't achieve the volume needed to meet projections and caves in by increasing the overall gross margin. That, of course, dilutes the store's image and undermines its credibility in the marketplace.

Sometimes, however, the deep discounter out maneu-

Continued on page 9

Who's minding the store?

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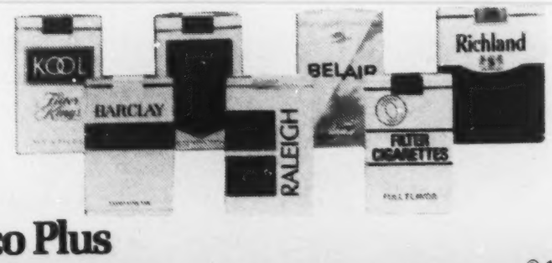
If you want to get the most profitability from your B&W brands, and enjoy one of the most comprehensive service programs in the industry, ask a Brown & Williamson representative about Tobacco Plus. Minding the store will never be easier.



Tobacco Plus

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BROWN & WILLIAMSON TOBACCO CORPORATION

Discounters vary on approach to business

Continued from page 7

vers the competitors on sheer buying skill and succeeds in making customers believe there is a price difference. Generally the deep discounters who can do that are also good at presenting broad varieties of merchandise assortments in clever, exciting in-store presentations.

Management for the companies that operate these stores also like to contend that their buyers know how to "out-maneuver" buyers for conventional food and drug chains.

"It's not simply what you buy," says one source, "but how you buy it. A chain like Arbor Drug, for instance, has excellent buyers, and they do a very competent job of acquiring the product at a good price and merchandising it well, but there is no way their buyers can take advantage of all the deals we can. Nor do I think they know how to take advantage of all the allowances that are available."

Chains like Perry Drug, which operates A. L. Price deep-discount drug stores, and SupeRx, which operates Drug World, are trying to emulate that strategy by operating their deep-discount stores as separate divisions. The buyers for the deep-discount drug stores operate completely independently of the buyers for the conventional stores.

At Perry Drug, for instance, senior vp of operations Mickey Kole contends that maintaining A. L. Price as a separate division makes the operation much more efficient.

"We do our own buying, have our own offices, our own trucks, our own warehouses, our own leadership," says Kole. "The only help we get from corporate is in management information systems and third-party billing. If we had to go back to corporate to get approval on purchasing, it would take us too long and we would not be able to take advantage of all the deals that are available."

Not all chains are convinced that a separate buying and operating division is necessary and there is still a good deal of what most drug chain operators describe as "experimenting" or "fine tuning" still going on out there.

"If you throw out Marc's and Shulman's, I can't think of who may have the most efficient system out there," says Gary Hendren, vp of marketing for SupeRx drug stores. Hendren, who is deeply involved, along with George Dozier, in the development of SupeRx's Drug World, says that the only certainty is that the long-term winners in this segment will be those "who figure out how to run the most efficient low-cost operation."

He adds that, contrary to the popular belief that individual deep-discount stores should buy and take delivery of product direct from the vendor source, in today's world, being the most efficient "may include warehousing if that's what it takes to put the merchandise on the shelf at the lowest possible cost."

Anatomy of a typical deep-discount drug store

Avg. inventory:	**$1.5 million**	Avg. gross margin:	**16%-18%**
Avg. turns/yr. (young store):	**3-4**	Avg. volume:*	**$5 million**
Avg. turns/yr. (older stores):	**7-8**	Avg. volume (mature stores):**	**$8 million-$10 million**
Total store size:	**15,000-33,000 sq. ft.**	Avg. shopping visits:	**2-3/mo.**
Sku's:	**16,000 to 25,000**	Avg. check per visit:	**$14-$16**

*Estimate includes stores that haven't reached maturity
**Estimate for stores 4 years and older
Source: *Drug Store News*, Management Horizons

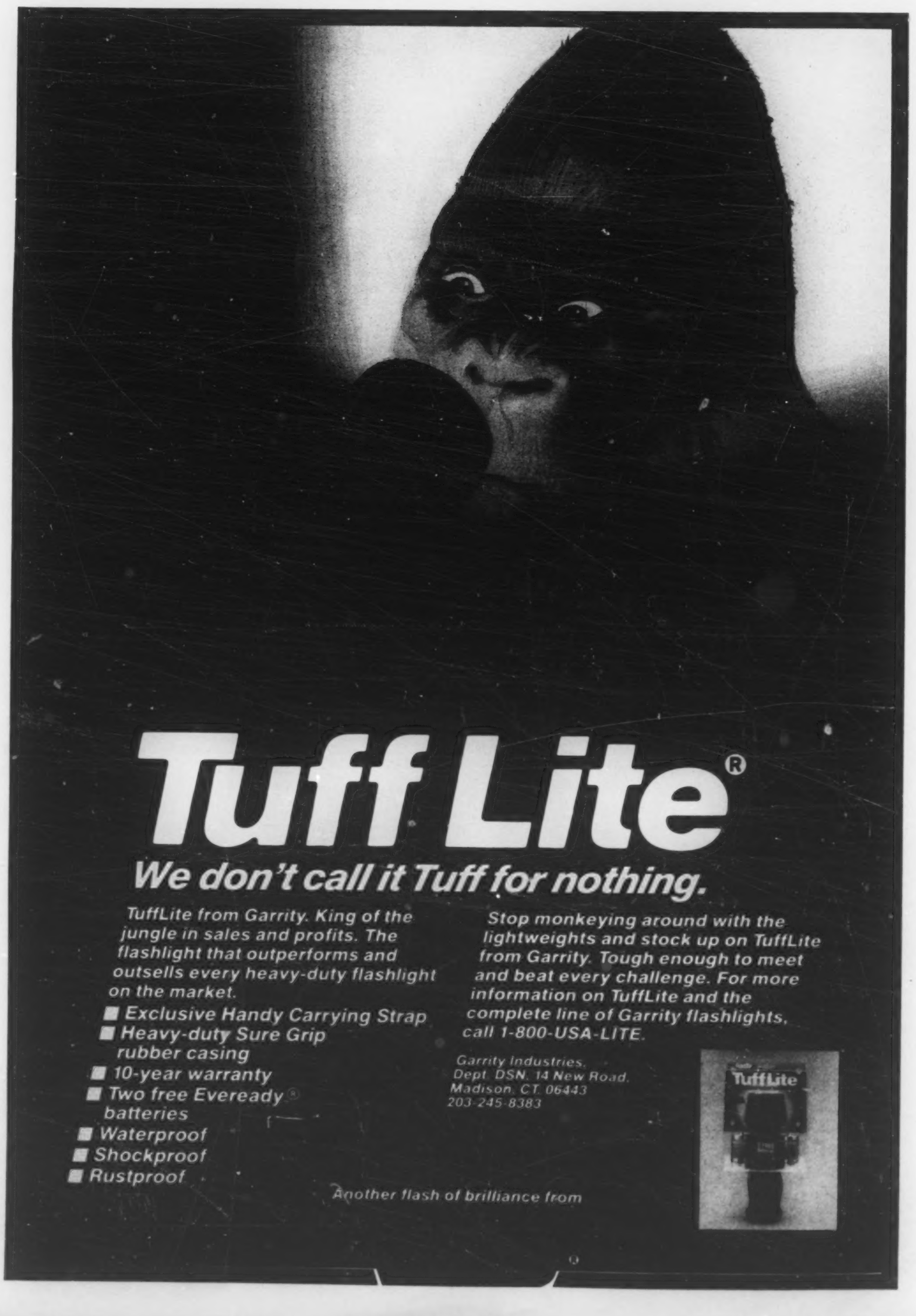
Purchasing and distribution

Retailers who look to the two major deep-discount chains for guidance on warehouses get no immediate answers. F & M does make centralized purchases and does warehouse. Drug Emporium does neither.

Drug Emporium sources say their strategy gives them the flexibility to respond to the best possible deals, while F & M sources say they give up nothing in flexibility while gaining much greater control over their store operations.

Drug Emporium as a company is growing much faster than F & M, but Drug Emporium is franchising much of its growth while F & M is building company stores, with what sources say is basically internally generated cash.

F & M currently operates about 22 stores to Drug Emporium's 72. At the end of calendar 1985, F & M may have about 28 while Drug Emporium hopes to have about 90. About 25% of Drug Emporium's stores are company-owned, the rest are either franchised or part of joint ventures. The company hopes to increase its ratio of company to franchised/joint venture stores to about 30% by year end.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Annual Wholesaler Report 1985

Cautious optimism marks wholesale industry

Depending on whom you ask, 1985 may be either one of the decade's best years for drug wholesalers or one of its worst.

The answer partly has to do with the size of an individual wholesaling company and, of course, its strength relative to the marketplace.

On average, the larger wholesalers like McKesson, Bergen and FoxMeyer are primarily optimistic about 1985 and prospects for 1986. Executives like Bill Tauscher, chairman of FoxMeyer, Joe Polastri, president of McKesson Drug, and Jack Fay, executive vp of Bergen Brunswig, speak confidently about "expanding growth opportunities, successful implementation of additional cost efficiencies through consolidation, line extensions and automation and increased growth through the penetration of new markets, such as medcare supplies for hospitals."

Executives for some of the smaller, regional companies, such as Lawrence DuBow, president of Lawrence Pharmaceuticals, Burt Olin, chairman/ceo of Humiston-Keeling, and Steve Westall, senior vp of Los Angeles Drug, LAD, are a little more restrained in their optimism, weaving in terms like "rat race, trade-offs and shrinking" with comments about "good prospects for continued growth for those who are efficient and who serve a well-defined market niche."

In one of the bleakest assessments of this past year, Burt Olin speaks of seeing "gross profits drop dramatically industrywide" and warns that the only thing keeping some wholesalers alive today is their ability "to buy into price increases."

Lawrence DuBow also agrees that 1985 will mark another year in which gross profit margins continue to go down. However, he feels that the decline will again be incremental and marked by "trade-offs" that should yield the more efficient operators higher profit dollars.

"It took four to five years for margins to drop a full 2%," says DuBow. "Although I suspect the decline will continue, I don't think it will be tremendously dramatic in 1985."

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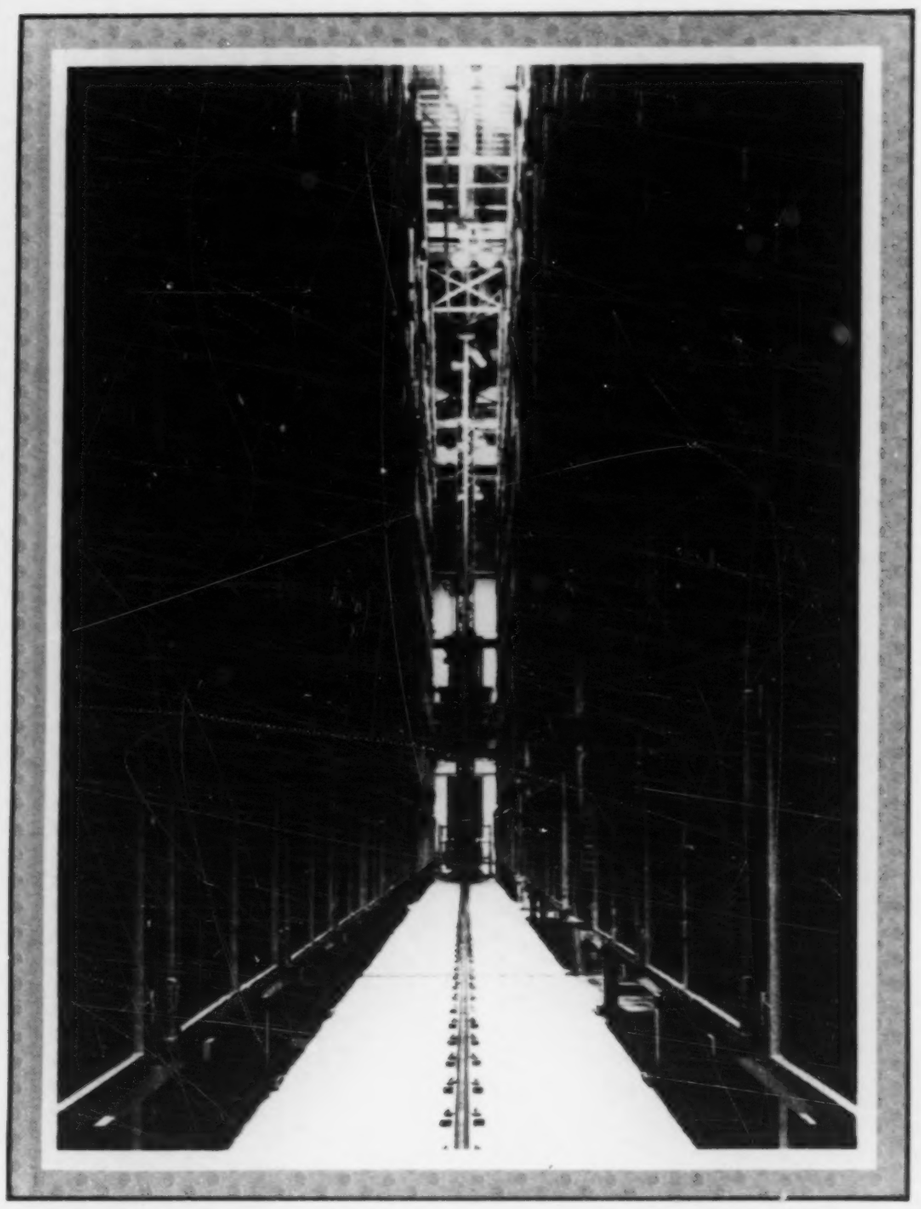

The nation's top wholesalers

	F.Y. ending	Est. drug sales (in millions)	1-year change
1. McKesson Drug *San Francisco*	3/31/86	***$2,800***	14%
2. Bergen Brunswig *Los Angeles*	8/31/85	***1,900***	41
3. FoxMeyer *Denver*	3/31/86	***1,250***	74
4. Alco Health Services *Valley Forge, Pa.*	9/30/85	***960***	40
5. Harris Wholesale *Solon, Ohio*	4/30/86	***740***	29
6. Bindley Western *Indianapolis*	12/31/85	***650***	15
7. Amfac *Burlingame, Calif.*	12/31/85	***600***	20
8. Durr Fillauer *Montgomery, Ala.*	12/31/85	***500***	25
9. Owens & Minor *Richmond, Va.*	12/31/85	***350***	14
10. Ketchum *Newington, Conn.*	4/30/86	***307***	12
11. Humiston-Keeling *Chicago*	4/30/85	***$255***	8%
12. Los Angeles Drug *Rosemead, Calif.*	12/31/85	***200***	25
13. Cardinal Distrib. *Dublin, Ohio*	3/31/86	***197***	62
14. Southwestern *Dallas*	12/31/85	***180***	12
15. Northwestern *Auburn, Wash.*	1/31/86	***170***	13
16. L. S. DuBois *Paducah, Ky.*	6/30/86	***165***	33
17. Lawrence Pharm. *Jacksonville, Fla.*	8/31/85	***150***	14
18. James W. Daly *Lynnfield, Mass.*	1/31/86	***135***	13
19. Twin City Wholesale *Minneapolis*	12/31/85	***115***	33
20. N.C. Mutual *Durham, N.C.*	3/31/86	***100***	12

Source: *Drug Store News* survey

Continued from page 29

DuBow also points out that since 1978 when the National Wholesale Druggists' Association reported that the gross profit percentage was 11.63% until 1984 when NWDA reported it at 9.39%, total operating expenses as a per cent of sales also declined, thankfully, going from 9.74% in 1978 to 6.84% in 1984.

DuBow predicts that cost expenses "will continue to go down" although he concedes that it is hard to say "how much further the industry can go in controlling its costs. We've done a remarkable job to date."

The companies who will be able to continue streamlining their operations, most sources agree, will be the big ones, the McKessons, Bergens, FoxMeyers, Alcos, Harrises, AmFacs and Cardinals who have the financial resources to continue to acquire smaller companies.

Consolidation

"On the expense side," DuBow says, "the procedures for operating efficiently are there. But on the volume side, you could have a problem. To get it, you have to go after customer acquisition, and the fastest way to do that is to consolidate, to merge with other companies, and then you can drop some of the expenses of doing business to the bottom line."

"The number of companies in our industry are shrinking," says Steve Westall of LAD, "and you're going to see that trend continue.

"Consolidation and competition are going to get more intense," says Bill Bindley, chairman/ceo of Bindley Western. "In the last few years gross margins have declined in the wholesale industry," he says, "because we're meeting competition with price.

"To continue to reduce margins, you have to be able to reduce expenses. We're now at the point where we're pretty close to the bottom. There isn't much room left to go lower, and this, of course, is putting pressure on the smaller families to sell."

It's also, of course, putting pressure on the larger companies to buy, and McKesson, Bergen, FoxMeyer and Alco have continued to grow through acquisitions in 1985. Their executives say they plan to continue to grow throughout the rest of this year as well as in 1986 and beyond. At presstime, Bill Tauscher confided that FoxMeyer was close to "a major acquisition announcement" and Bergen executives were talking about "three or four possible acquisitions in various stages of negotiation."

However, there was some evidence that the acquisition trend may be approaching a peak. Several sources noted that most of the better companies have already been acquired and Jack Fay of Bergen pointed out that value for wholesale companies today are at "a high point."

The 1985 wholesaling executive, however, is already exploring other options for growth. If acquisition activity is reaching a point at which it may be peaking or drying up, then volume has to come from other business areas such as hospitals, HMO's, PPO's, nursing homes, chain food,

Continued on page 32

Wholesaler services

	% of respondents who offer this service	% who plan to offer service in the future
Price updates & customized price labels based on gm's	**89%**	**6%**
Product movement reports	**84**	**N.A.**
Promotional programs such as co-op ad programs	**79**	**N.A.**
Generic prescriptions	**79**	**N.A.**
In-store merchandising	**74**	**12**
Store remodeling	**74**	**6**
Store fixturing	**74**	**6**
Rx computer software	**68**	**6**
Rx computer hardware	**63**	**6**
Inventory reports	**58**	**16**
Host support for computers	**47**	**16**
Site selection	**42**	**N.A.**
Financial assistance	**42**	**6**
Private label	**42**	**6**
Financial & management reports	**32**	**16**

Source: Drug Store News *1985 Drug Wholesaler Survey*

Wholesaler automation

Type of automation system	% of respondents with this system in at least one d.c.	% of respondents who said all d.c.'s had this system
Automatic reordering from retail customers	**94%**	**100%**
Automatic reordering from manufacturer/supplier	**89**	**100**
Paying manufacturer/ supplier vendor	**72**	**100**
Locating or assigning product to warehouse	**72**	**85**
Receiving customer payment	**33**	**67**
Returning damaged goods	**22**	**33**
Receiving product	**17**	**100**
Routing product into conveyor lanes & truck	**17**	**100**
Picking product	**17**	**100**

Source: Drug Store News *1985 Wholesaler Survey*

Annual Wholesaler Report 1985

Continued from page 31

drug and mass merchandise stores, newly formed independent buying groups and the addition of new product lines like home health care products and medical care supplies.

Growth areas

Yet even here, in the pursuit of new business, there is cause for alarm as well as cause for jubilation. Some of the new customer mix opportunities involve the types of "trade-offs" that benefit some wholesalers while worrying others.

"The hospital business," says McKesson's Joe Polastri, is "good business, a high-volume growing business. With some of these accounts, it's not unusual to be doing $100,000 a month. Yes, the cost plus fees are lower than for the retail segment, but what difference does it make if the dollars are there. What would you rather have: $100,000 of business at cost plus 3% or $10,000 at cost plus 5%?"

"The hospital business is not always a very profitable business," says Humiston-Keeling's Burt Olin. "I know of one wholesaler who told me he lost a competitive bid because the company against him bid one-tenth of a per cent to get the contract."

Wholesalers offering retail zone pricing information

Prescription products	50%
Over the counter products	81
Health & beauty aid products	81

Source: Drug Store news *1985 Drug Wholesaler Survey*

Most wholesalers agree that the only sure way hospital business can be profitable is if the wholesaler servicing the account is "geared to doing business with a hospital" and is in a position to be flexible enough to provide the services that can lead to successful "trade-offs."

Says Mike Mobley, vice president of sales for Amfac, a company that is aggressively pursuing the hospital market, the business is "very competitive," but it helps when a wholesaler has programs that can expedite processes that reduce that hospital's cost of doing business."

Mobley, who says he knows of cases where hospitals negotiated a contract with a wholesaler for a cost plus fee of less than 1%, says, however, that hospitals, just like retailers, are not totally swayed by price. That services count too. And that wholesalers who can provide needed services can ask for and obtain higher cost plus fees.

"Hospitals look at the total cost of product," he says, "if we can give them a movement report by therapeutic class, which we can, than that's worth a couple of tenths of points. They're telling us that they're interested in the things that we can do to help reduce their cost of goods."

"We're doing very well with hospitals," says McKesson's Fred Toney, sr. vp of marketing, "We're trying to develop systems that will let us work closely with the hospitals and fill their needs."

Toney says that McKesson, which has a special board of hospital advisers organized to help identify the needs that McKesson may be able to satisfy, has developed a number of services for hospitals including purchase orders printed in alpha sequence and presequenced receiving records so that hospitals can know just what they'll be getting and in what order.

"When we bid for a hospital's business," says Toney, echoing Mobley's comments, "we don't just bid price, we bid service."

However, not all wholesalers have the resources to provide the services, let alone to compete on the price. That's one reason why a company like McKesson could report "continuing dramatic growth in the hospital segment of their industry" while others like Ketchum and Lawrence Pharmaceuticals report some growth but off a low base or

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Annual Wholesaler Report 1985

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declining growth.

"It's a business for the wholesaler with tremendous financial resources," says DuBow. Even Joe Polastri admits that if hospital business ever reached 60% of a wholesaler's total sales, there'd be "deep trouble."

Buying groups

Even more disturbing to some wholesalers is the fact that independent retailers, envious of some of the contracts hospitals have been able to negotiate because of their volume efficiencies, are trying to emulate their success by forming volume buying groups of their own. They're then using the existence of these groups to try to pressure the wholesaler into lower bids, "further pressuring our margins."

Almost every wholesaler interviewed for this article agreed that the growth of buying groups was a major trend in 1985, and this included wholesalers like Judd Phelps at Ketchum, who said that the groups weren't that strong "yet" in their particular markets.

"They're coming," he said, "and they will put additional pressures on us."

"It's fashionable right now to join a buying group, but whether it's going to be a success or not, I don't know," said Dubow.

"The retail buying groups want all the things that a hospital gets," says Burt Olin. "If the manufacturers don't give it to them, then they start looking to the wholesalers."

However, at Bergen Brunswig, Jack Fay was skeptical about the long term prospect for retail buying groups. "If some of the inequities that come about because of the Medicare program and other government regulations go away, as I think they will ultimately," he said, "the market will regulate itself and they'll be less need for buying groups."

Fay also felt that buying groups lack the "discipline" to be successful at buying and distributing and that their tendency to buy in bulk when good prices are available works against turnover and makes them "relatively inefficient."

There was also some disagreement among wholesalers as to exactly how a wholesaler was expected to service buying groups: on price alone or on price coupled with services.

Several wholesalers like Bill Tauscher and Lawrence DuBow felt that groups were basically "only interested in price" and were not responsive to marketing programs that included enhanced support services.

However, other retailers like Joe Polastri, Jack Fay, Fred Toney, Mike Mobley, etc., felt that the perception of price may be "overemphasized" and that opportunities existed for wholesalers to sell "systems" as well as price.

"Having the best price may be fine," says Polastri, "but you need leverage to get the customers in the store. If you never tell anybody you have the best prices, then what's the good of it to you?"

"Buying groups are looking for both services and price," says Toney. "We're presenting our Valu Rite program as an option to people who come together in groups. It's just starting and it's too soon to tell, but we think we have a good program for the group in Valu Rite."

Bob Aitchison, vp of marketing for Alco Health Services, said that instead of perceiving buying groups as a threat to drug wholesalers, Alco sees them as an "example of a need for us to develop sound marketing and sales programs to help them compete.

"With our added services and voluntaries, we can work efficiently with the buying group as a partner," he said, "rather than having them go out and try to reinvent the wheel."

HMO's & PPO's

The emphasis on service for the independent retailers was also strong when wholesalers discussed the growth to date of HMO's and PPO's. Many wholesalers said they were exploring ways to help their independent retail customers develop programs that would make them attractive to PPO's.

"We've seen dramatic growth from HMO's and PPO's," said Steve Westall at LAD. "The PPO's offer a good opportunity for the retailers as well as for us. I'd estimate that right now about half of our retail customers participate in a PPO of some kind."

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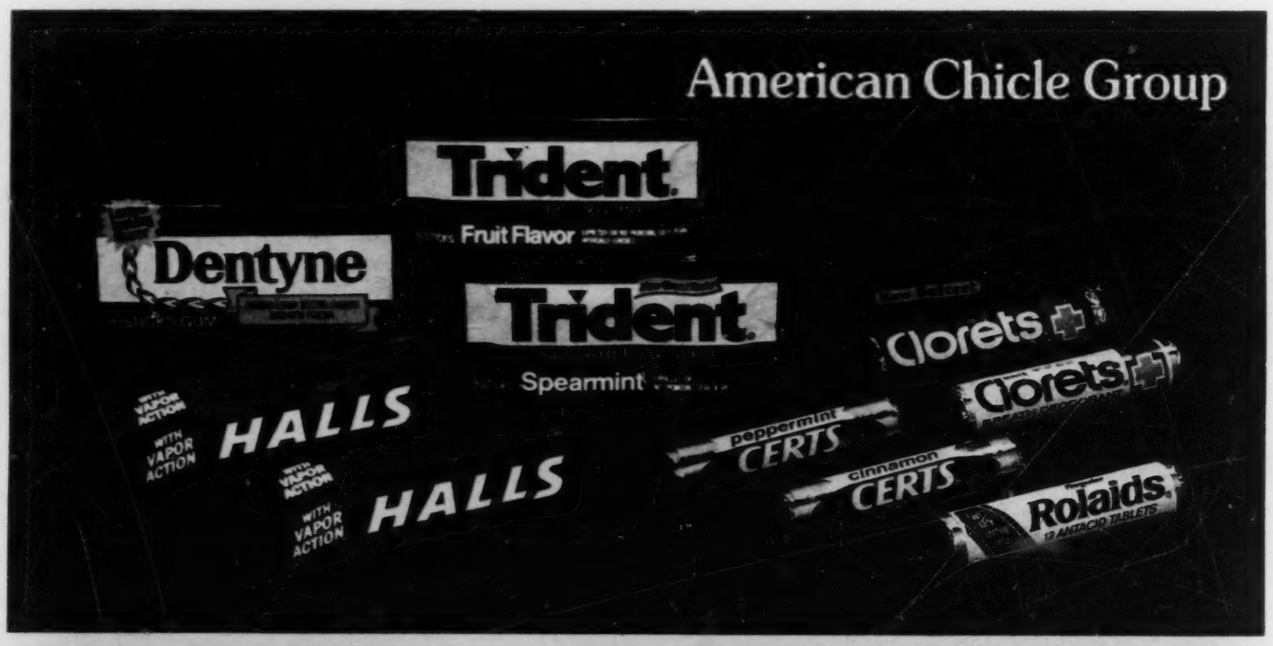
Warner-Lambert is working for the consumer



The American Chicle Group has long been a pacesetter in chewing gums, breath mints, cough tablets and antacids. Quality and uniqueness are reflected in market leadership for Halls cough tablets, Certs mints, Rolaids antacid, Trident sugarless gum, and Bubblicious bubble gum. American Chicle is noted for leadership and excellence in merchandising and point of purchase support.

The Consumer Health Products Group is in the midst of an aggressive new product development program. The results already include Listermint with Fluoride, antiplaque protection from Listerine antiseptic, an innovative chewable cough tablet called Mediquell, and newly introduced Early Detector. Additional new products will continue in this line of successes.

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"We have to get into the business of becoming buying groups for independent retailers who want to participate in PPO's," says FoxMeyer's Bill Tauscher, "so we can turn the independents into a marketing force.

"If a group of independents without computer systems and with antitrust worries have to compete with Walgreens for a PPO program, Walgreens will win all the time. Since Walgreens is not my customer, I have to figure out how to fix this situation."

A few wholesalers like McPike, a division of FoxMeyer, are actively supporting buying groups with data processing programs, bidding programs and other marketing services. McPike was also involved in the formation of the buying group for what Tauscher describes as a couple of hundred independents.

"HMO's and PPO's are both growth areas," says Alco's Bob Aitchison, "but PPO's are serviced by groups of retailers and we look at PPO programs from their perspective. How can we make it more profitable for them? We're looking at cost containment delivery systems and additional strategies that will help them."

"HMO's and PPO's will continue to grow," says Lawrence DuBow, "but HMO growth will come out of the hide of the retail chains. We're attempting to represent the independent in speaking to the PPO's. Laws don't allow two independents to talk to a PPO. There's a vulnerability to price-fixing allegations. We go in as a third party and speak for all the interested independents. What wholesalers are doing now is similar to what state associations do."

Wholesalers today rate their success at penetrating the HMO/PPO market as anywhere from "marginal" to "promising." However, they say that with cost containment such a strong factor in the marketplace, HMO's and PPO's will probably account for 10% of all wholesale sales within the next couple of years.

Out on the West Coast, Steve Westall of LAD thinks the industry will enjoy similar growth spurts from increased sales to convalescent aid centers.

"The convalescent business wasn't even around five years ago," he says. "Now it accounts for about 15% of the business."

"Convalescent centers, freestanding emergency centers, also known as Doc in the Box and Fec's, they're all going to represent strong growth trends for the rest of this decade," says Bergen's Jack Fay.

Fay also says that one of the reasons why medical surgical sales are up for so many

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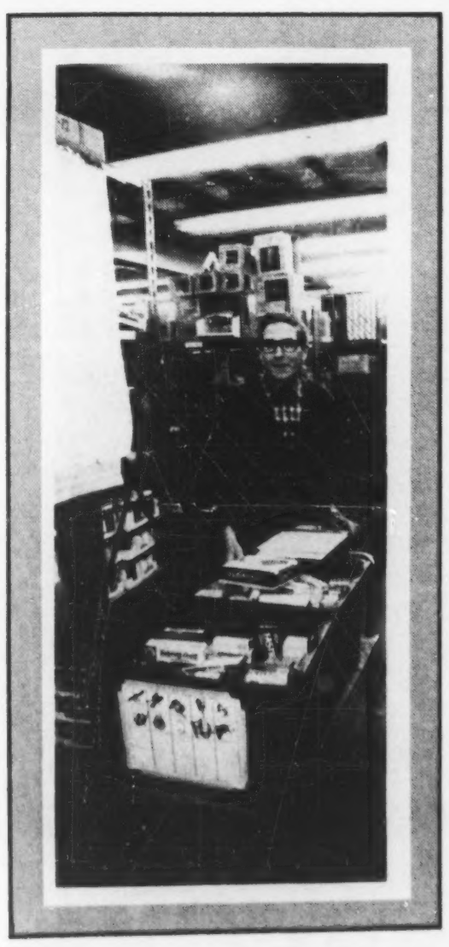

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wholesalers is because of the opportunities created by the shift in medical care, away from traditional hospitals and toward freestanding ambulatory care.

"It's convenience medication," he said. "Medical care located close to consumers on a walk-in basis." Tauscher also called the hospital supply business an important trend in 1985 and a promising emerging growth area for wholesalers.

"Drug wholesalers can operate hospital supply businesses the same way they operate their wholesale drug business," he said, "and they can do it more efficiently than the traditional hospital supply companies who are primarily regionals."

"Bergen, Durr Fillauer, Owens, McPike, they're all stealing market share from the regionals in a big way. In 18 months our business in hospital supply grew to $250 million. It was zero 18 months ago."

Tauscher said FoxMeyer has six distribution centers for hospital supply now and will open another five by the spring of 1986. Tauscher roughly estimated the hospital supply business at around $7 billion and said that if drug wholesalers have less than 10% now, they could have between 50% and 60% over the course of the next decade.

"Medical surgical supplies," agreed McKesson's Joe Polastri, "is a very promising growth area and already a big part of McKesson's hospital supplier sales."

Some wholesalers, in fact, actually felt that medical supplies may one day account for more sales to hospitals than pharmaceuticals. Primarily because of the deterioration and dangers of the diversion marketplace, several wholesalers felt that hospitals will eventually begin reducing or eliminating the number of pharmaceuticals they purchase from drug wholesalers and will opt instead to buy direct from manufacturers.

Several wholesalers made the point that it would be much easier for manufacturers to control the distribution of their product and minimize diversion if they shipped "directly to the hospitals" and eliminated the current

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Wholesaler distribution centers

	Number '85	Number '84	Sales/d.c.
Bergen Brunswig*	**90**	43	***$ 20.0***
McKesson Drug	**52**	49	***55.0***
Amfac	**38**	41	***12.6***
Alco	**20**	20	***41.0***
FoxMeyer	**12**	15	***100.0***
Harris Wholesale	**8**	6	***90.0***
Bindley Western	**6**	6	***95.0***
Durr Fillauer	**5**	6	***40.0***
Owens & Minor	**4**	4	***33.0***
Southwestern Drug	**3**	4	***60.0***
L. S. DuBois	**1**	1	***165.0***
James W. Daly	**1**	1	***135.0***
N. C. Mutual	**1**	1	***100.0***
Northwestern Drug	**1**	1	***67.5***

Source: *Drug Store News* survey *As of 1/1/86

Voluntary, co-op and franchise services

Company	Voluntaries co-ops, franchises	No. of independents serviced	Voluntaries, co-ops or franchised
McKesson	Valu-Rite	13,000	10%
Bergen Brunswig	Good Neighbor	5,500	7
FoxMeyer	Health Mart	5,000	10
Alco	Family Independent Rx	5,300	15
Harris	Super Service	3,000	10
Durr Fillauer	Price Guard	1,300	25
Owens & Minor	Cardinal Drug	800	12
DuBois	Associated Drug	450	10
James W. Daly	Ad Value	600	2
N. C. Mutual	Mutual Drugs	355	58

Source: *Drug Store News* Survey

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charge-back system now in effect for wholesalers.

Most wholesalers also said that because of the recent negative publicity surrounding diversion, they were themselves re-evaluating their methods of doing business with secondary suppliers.

Diversion

A number, including Bindley Western, which had three key executives resign prior to pleading guilty to diversion malpractices, said they had put a freze on all pharmaceutical buying from secondary sources while many others said they were continuing to buy from select "secondary sources" but under much tighter scrutiny.

Alco Home Health doesn't buy pharmaceuticals from diverters and only some of their distribution centers buy over-the-counter drugs from secondary sources, but even so vp of sales Bob Aitchison says management is "tightening up the paperwork, tightening up the supervision.

"We're looking at the drafting of legal documents," he said, "that would specify, in affadavit form, that the product is genuine and that the source of the product is the source that is specified.

"A lot of people with garage operations aren't going to be around anymore," says Steve Westall of LAD. "We have very strict requirements on the source of origin, and we put them in more than a year ago, before the Dingell hearings and the Atlanta FBI case, because we could see it coming.

"It's not so much that the industry doesn't have systems like audit trails and purchasing procedures to fend off diversion, it's that some of those that had them didn't use them. No one bothered to check."

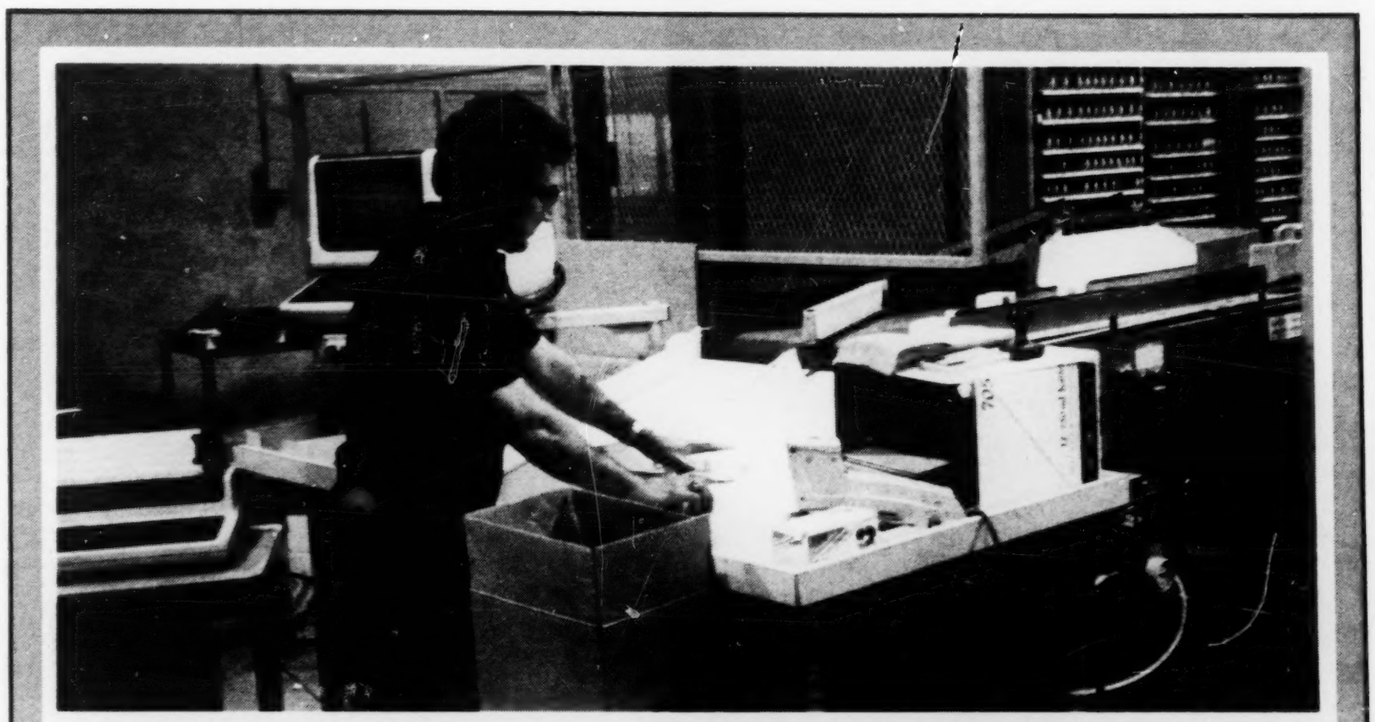
"We buy nothing from diverters and we let our customers know that," said Lawrence of Lawrence Pharmaceuticals, "but we get hit on price pretty bad from those that do and I'm not saying they're wrong to take that option. I hear some manufacturers said they were going to try and control it, try and crack down, but we get the lists from diverters and I see their merchandise still appears there."

"It's going to get worse before it gets better," said Burt Olin of Humiston-Keeling. "The FBI won't go after the manufacturers who are the real culprits. If the manufacturers don't do anything, then I think it'll just go underground. It'll get more devious."

"The probable outcome," says Jack Fay of Bergen, is that we'll see some control of sampling. I'd expect some legislation that would either eliminate sampling or regulate its use. There will probably also be strategic controls on import/export activities. There should be some stronger re-entry controls.

"But the thing that is the least likely to change is the elimination of the price differentials. At least the government can't do anything about that because one of the big beneficiaries are the federal installations."

A few wholesalers said they were thinking of possibly emulating Revco and setting up a program to lab test product as it is delivered, but others said such a program would be too costly and difficult to implement, and that to try to open a set number of sample products and test the product would be "so costly it'd eliminate any advantage in buying from diverters in the first place."



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Drug wholesalers see sales up 17%, margins decline

Drug wholesalers are estimating that industry sales will increase 12% to 17% in 1985 for a total of between $14 billion and $14.6 billion. Sales for 1984 were $12.5 billion.

Many are also predicting that profit margins will again go down, perhaps "dramatically" to below 9%. Margins last year were down 4% to 9.39%.

Feelings were mixed in the industry as to whether the majority of companies would be able to continue making the adjustments and tradeoffs that can insure profit growth in the face of declining margins.

Jack Fay, executive vp for Bergen Brunswig, spoke of the industry's skill at managing what he called "planned margin declines."

"What you're seeing," he said, "are many companies like Bergen plan their margin reductions to be competitive. At Bergen, we've made a conscious decision to attach our business mix. Between a mix that stresses low margins but higher line extensions, there are opportunities.

"If your business is being appropriately managed and you're watching your costs and your mix of business, you can do just fine and be very profitable."

"The hospitals are very competitive," says Mike Mobley, vp of sales for Amfac, "but they're not trying to pressure us. They're trying to find ways to help us reduce our costs of goods and consequently their own costs of goods. They're demanding more savings from us as well as from themselves."

As a result, says Mobley, hospitals may negotiate contracts that reduce the cost-plus fees and by extension overall gross profit margins, but simultaneously they are agreeing to "tradeoffs" that help both themselves and their wholesalers operate more efficiently.

Some of these tradeoffs, which are also occurring with retail customers, include customers prepaying for orders; paying on a weekly or bi-monthly basis instead of monthly; reducing the number of deliveries they receive; and buying 10, 50 or 100 items at

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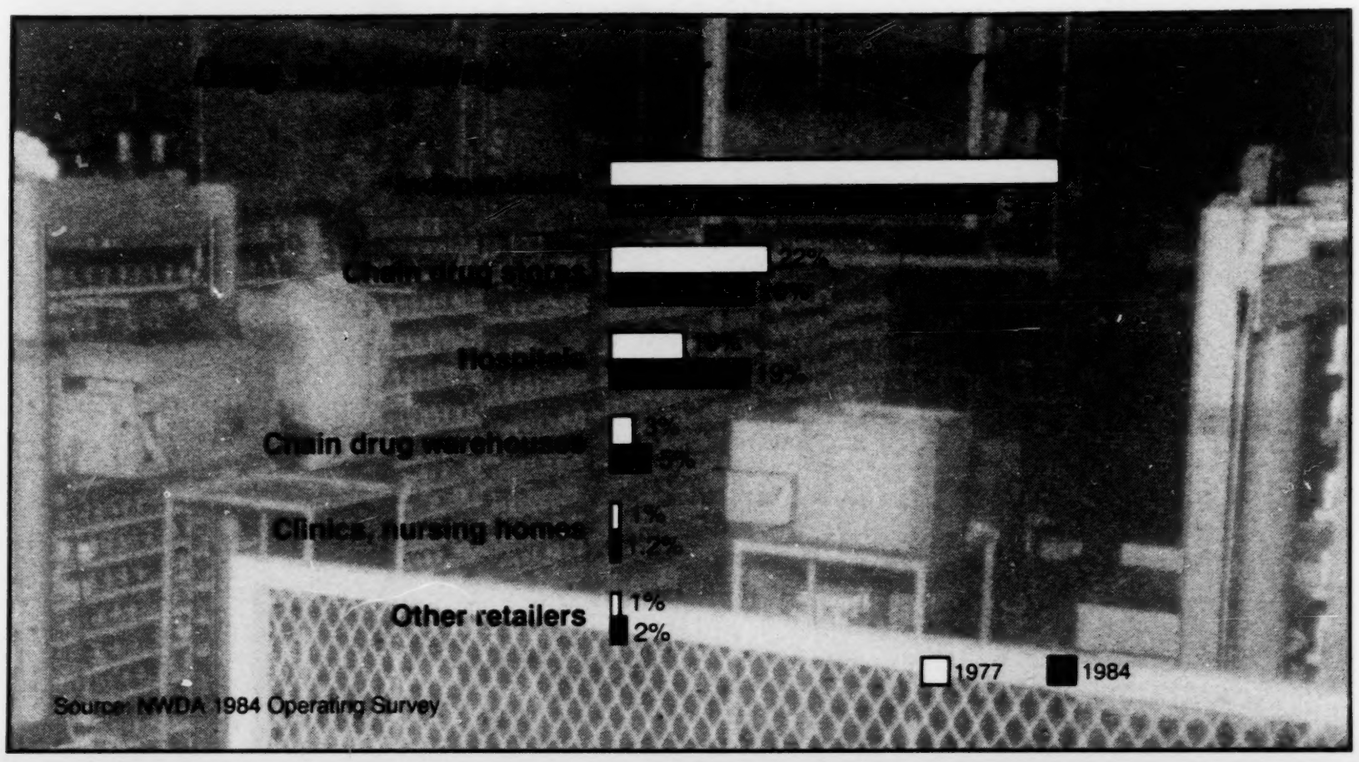
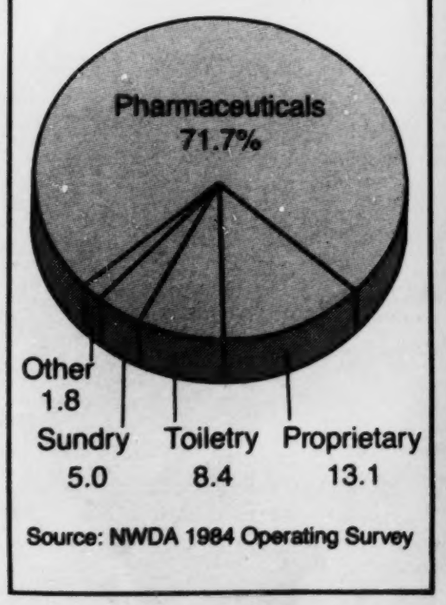
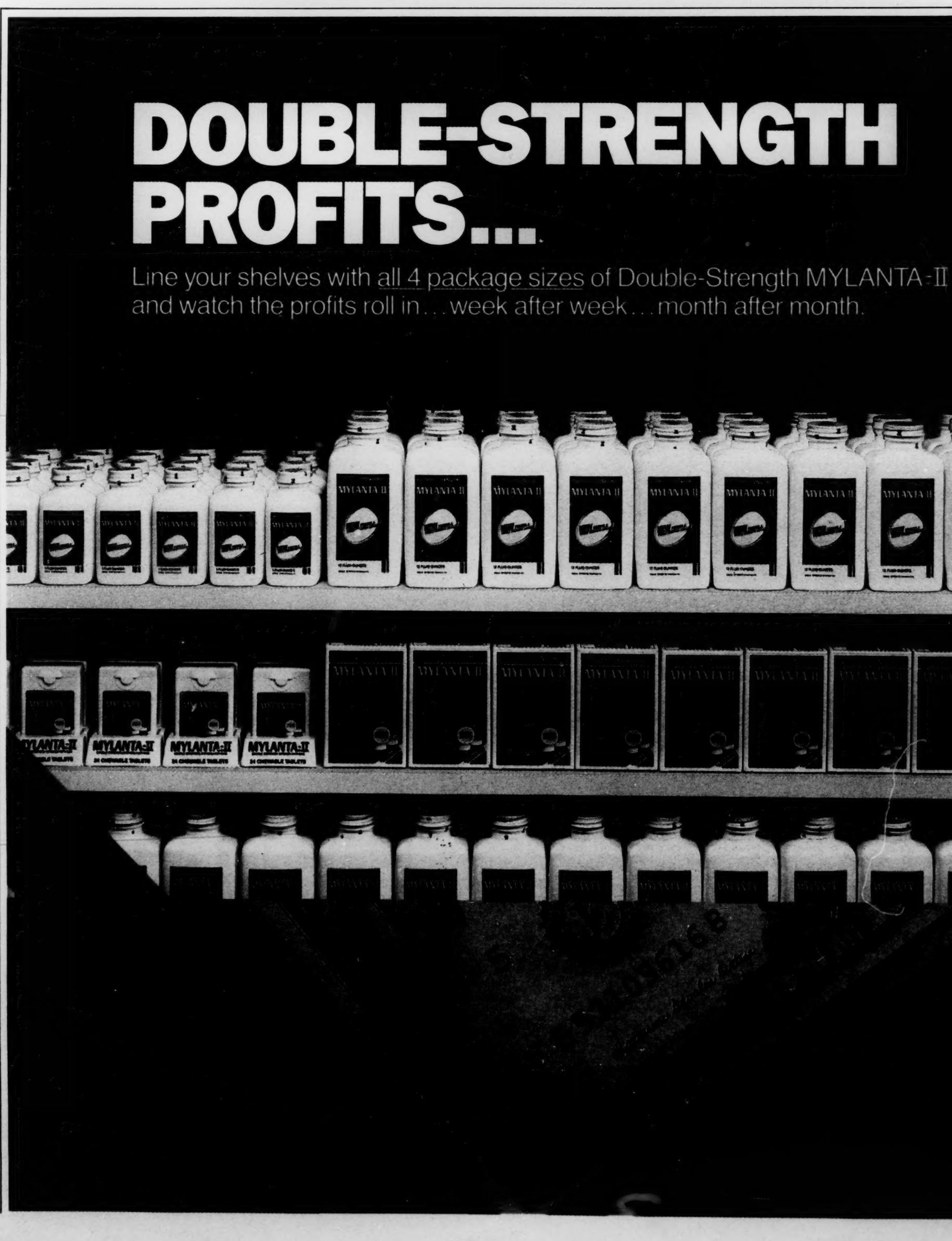


Breakout of 1984 wholesaler sales by product mix



Source: NWDA 1984 Operating Survey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once instead of just one or two.

"If the customer pays each week or prepays," points out Mobley, "that lowers our day's receivable, gives us the cash faster and allows us to invest it. If they order 10 items instead of two, then the margin on those items is still the same, but instead of making 50¢ on that sale, maybe we make $5. The cost to pull the product off the shelf is constant so if we pull a line [a line is the item times the quantity ordered] at $5 or at $50, the labor cost is still the same."

"If a customer orders just one bottle of aspirins," says Bergen's Jack Fay, "it may earn the wholesaler 15¢ when he fills that order, but the labor cost to fill that line might be $1.25. You can see that just to break even the wholesalers should pick eight bottles."

"We're not asking the retailer to buy more than they need just so we can have higher line extensions," says Mobley. "We don't want them to take a three-month supply. But if you [the wholesaler] can help them be more efficient, it comes back to you."

Mobley also pointed out that most wholesalers bill every 15 days. So whether a retailer buys two bottles in week one and two more in week two, he or she pays at the same time. However, by buying four at one time, Mobley says the retailer is also able to operate more efficiently. "It's easier for the retailer to check in four items at once than two and two again. It reduces paper work, receiving time, stocking time, price-marking time and reordering time."

Joe Polastri, president of McKesson Drug, also points out that wholesalers are able to reduce their risk of doing business when customers agree to prepay orders, plus the wholesaler has the money in advance to invest in other profitable ventures.

However, not everyone agrees that faster payment terms will contribute that much to helping wholesalers operate more profitably. "Faster payment terms won't impact on your expenses," points out Lawrence DuBow, president of Lawrence Pharmaceuticals. "They'll just help you get a better return on your money. Less deliveries won't always have that much impact either. Most wholesale companies today have to figure out how to move more volume with just the same number of people."

Most wholesalers keep coming back to line extensions as the key to enhancing profitability. "It's always been a line extension business," says Steve Westall, sr. vp of LAD Drug. "Every program I've ever developed is based on line extensions. It's the easiest way to process product at the lowest price."

Bob Aitchison, vp of marketing at Alco Health Services, points out that as the wholesaler's retail and hospital customers face more competition and more cost constraints in the marketplace, it becomes the wholesaler's job "to work more efficiently, to progress into asset management so we can give the services that are needed.

"The key," says Aitchison, "is to get a proper balance of where you want to put your money and your resources. Whether it's the hospital segment or chains or independents, you have to be cognizant of where your mix is."

For Alco, which today is skewed more to the independents in its customer mix, Aitchison believes the best direction for growth would be toward a mix that is 40% independents, 30% chains and 30% hospitals.

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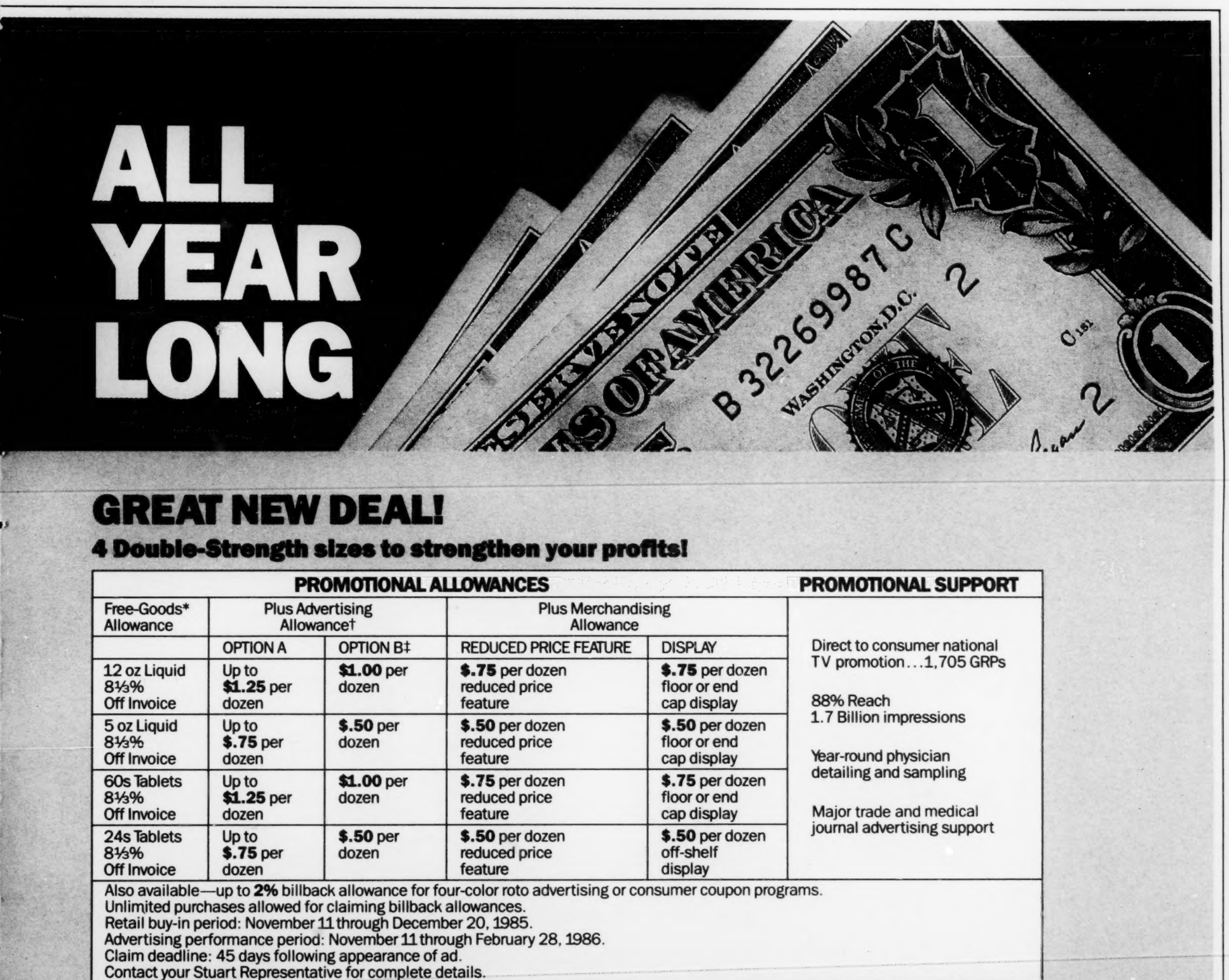
Key operating statistics for the wholesale drug industry

	1978	1979	1980	1981	1982	1983	1984
Gross profit %	11.63%	11.30%	11.15%	11.07%	10.48%	9.77%	***9.39%***
Net profit %	1.09	1.13	1.32	1.35	1.41	1.37	***1.42***
Return on net worth	9.63	10.88	12.72	13.60	15.55	15.23	***15.34***
Total operating expenses as a % of net sales	9.74	9.24	8.53	8.30	7.79	7.21	***6.84***
Operating profit margin	1.89	2.06	2.62	2.74	2.68	2.56	***2.54***

Source: NWDA 1984 Operating Survey



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Retail buy-in period: November 11 through December 20, 1985.
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†All ads should feature both liquid and tablets.
‡Provided advertising coverage is in at least 75% of the applicant's trading area.

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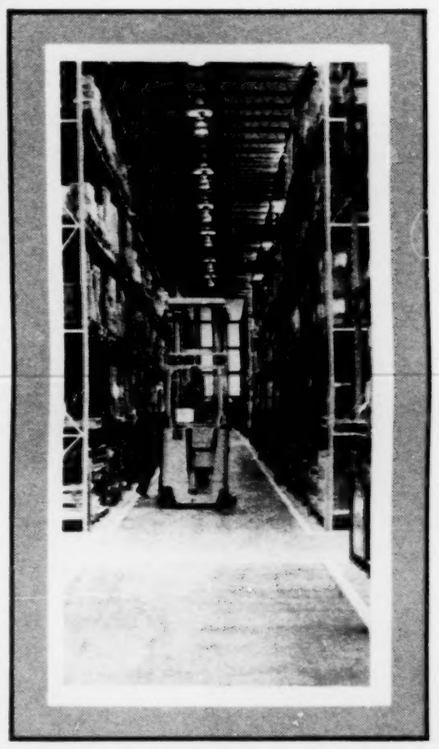


1985 Annual Wholesaler Report

Trends in the average wholesaler's product mix
(% of net sales)

	1977	1978	1979	1980	1981	1982	1983	1984
Pharmaceuticals	62.6%	62.8%	63.4%	63.6%	64.7%	65.3%	68.2%	***71.7%***
Proprietary	16.8	17.9	17.3	17.3	17.6	15.5	14.9	***13.1***
Toiletry	10.2	10.0	9.7	10.7	9.3	9.5	9.1	***8.4***
Sundry	8.0	7.9	8.3	7.0	6.7	7.9	6.3	***5.0***
Other	2.3	1.3	1.3	1.4	1.6	1.7	1.5	***1.8***

Source: NWDA 1984 operating survey

Wholesale drug sales

	Sales to drug stores	Sales to hospitals	Total sales
1984	$6.69B	$2.17B	**$12.52B**
1983	6.49	1.80	**11.90**
1982	5.72	1.39	**10.20**
1981	4.90	1.05	**8.60**

Source: NWDA 1984 Operating Survey

Continued from page 45

In their most pessimistic projections for the future, wholesalers feel that their independent market will shrink because of competitive factors that will destroy their ability to function effectively, that the chain market will dry up because the chains will expand their direct buying from manufacturers and step up their own distribution programs and that hospitals, currently the most price demanding segment of the business, will grow as a percentage of sales to the point where "we'd get killed," as Burt Olin, president of Humiston-Keeling, put it.

In their more optimistic projections, however, wholesalers believe that their continually enhanced marketing services and voluntary programs will act as buffers for independents and will give them the resources they need to compete against chains and the nontraditional retailers of pharmaceuticals including hospital retail outlets and HMO's.

They also feel that the chain segment of the business, including food and mass merchandise chains as well as drug chains, will not shrink but will continue to grow, at the very least as sources of secondary sales and at the very best as primary customers attracted to wholesalers for their "efficiencies of doing business"; and that growth in the hospital segment will be offset by volume gains and by other tradeoffs such as prepayments and higher line extensions.

"If a wholesaler can increase his volume; he's O.K.," says Joe Polastri of McKesson, "and volume has been building very well this year. The pharmaceutical business is up. Buying groups are coming up. The HMO's and PPO's are growing, but not as dramatically as we thought, and although they'll continue to grow, they won't displace retailers. Customers are going to still want the convenience of one stop shopping as they do today. Independents will still get their share."

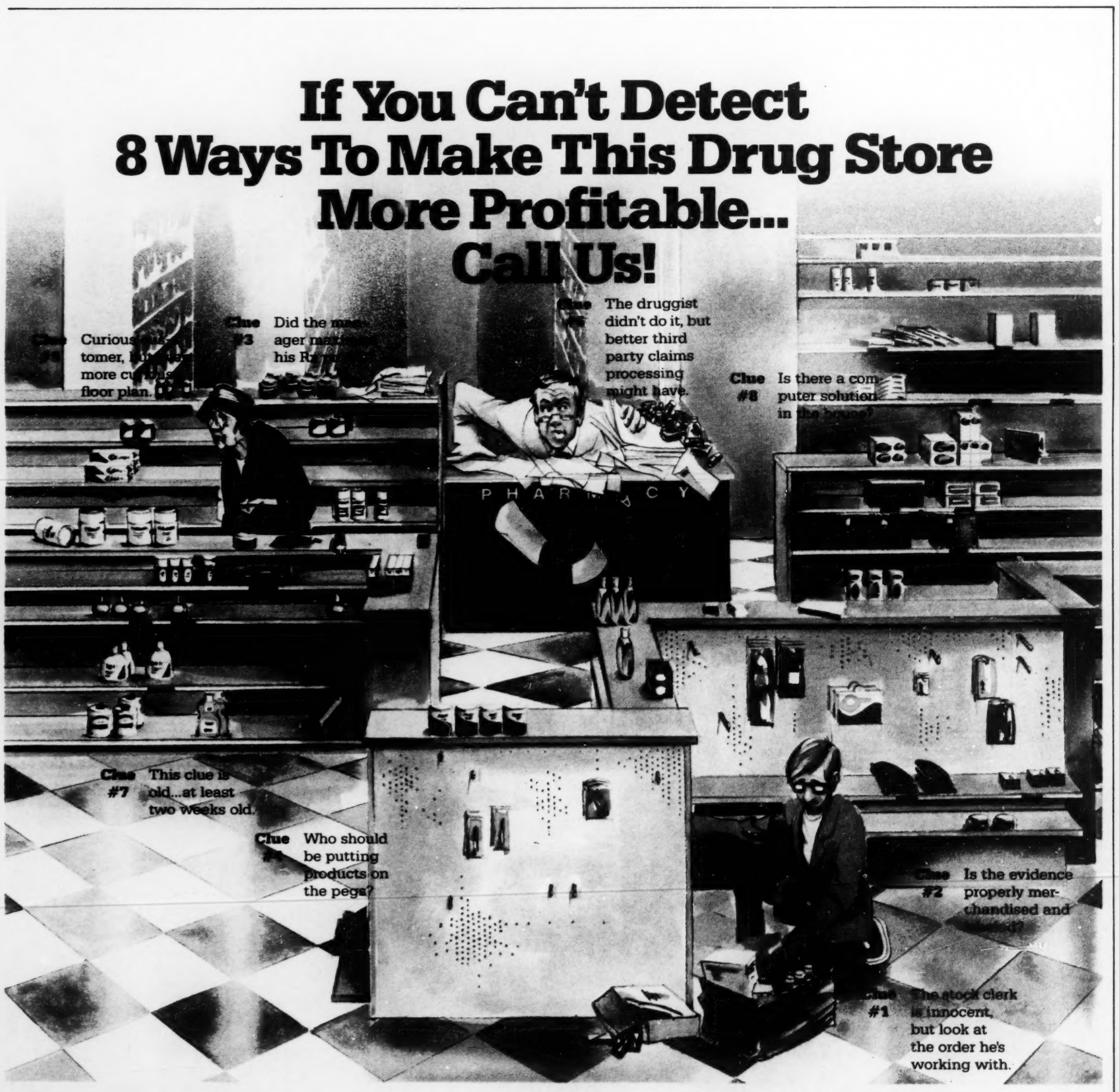
"In the future, we're probably going to wind up with four or five major wholesalers," says Alco's Bob Aitchison, "but they'll still be strong regionals out there. Smaller wholesalers with the right marketing thrusts will continue to grow.

"The gross margin shrinking is coming to a point where it's leveling off," says Steve Westall of LAD. "The investments we've made in order entry and other automation technologies are going to continue to pay off."

"Wholesalers are also gaining access to other categories they never had before," says Judd Phelps of Ketchum, "hosiery, baby goods, small appliances. Many are doing what we're doing, moving into rack service merchandising with cosmetics, school supplies, stationery, etc.

"That business is growing at a good rate and I think it will continue."

"Once the industry has finished its period of consolidation and acquisition," says Bergen's Jack Fay, "the survivors will do fine. It's a question of establishing a market niche and solid customer relationships.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Clue #4 The druggist didn't do it, but better third party claims processing might have.
Clue #8 Is there a computer solution in the house?
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Clue #5 Who should be putting products on the pegs?
Clue #2 Is the evidence properly merchandised and
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Annual Wholesaler Report 1985

New Alco Health zeroes in on drug sales

VALLEY FORGE, Pa. — A $70 million public offering this past summer created Alco Health Services as a separate entity from its former parent, Alco Standard.

Alco Standard retains a 60% controlling interest in the company, which billed close to $1 billion during fiscal 1985.

According to Joe Churchman, president of the new corporation, the change was made so that Alco Health Services, the nation's fourth largest drug wholesaler, could become a pure health care wholesaler.

"It puts us in a better position to build strong earnings for our shareholders, and to compete for future acquisitions," said Churchman. "As a 'pure play' [Wall Street terminology for a nondiversified company] wholesale drug company, we are in a better position to negotiate for future acquisitions because we are a one-industry, one-service company, not a part of a diversified corporation."

Preliminary figures show that for fiscal 1985, which ended Sept. 30, the company had sales of about $960 million, up from $767 million for fiscal 1984.

Because of a mandatory 90-day "quiet period" following any public offering, further 1985 financial disclosures are not allowed by the company.

Currently, 71% of the company's business is pharmaceutical, with the rest coming from H&BA; cosmetics and fragrances; durable medical equipment and other home health care supplies; medical and surgical products; sundries; and other general merchandise.

About 58% of the company's business is with independent drug stores, 24% with hospitals, 12% with chain drug stores and 6% with mass merchandisers. Unlike many other large drug wholesalers, no individual service area is growing more rapidly than the others for Alco.

"There's been no major shift in our business," said Churchman. "That's because we have different salesmen serving each area. Each has the responsibility to increase business in that area. We don't have to slight one to concentrate on another."

Alco Health Services closed its year with 10 companies operating 20 distribution centers serving 23 states. Those companies are the Brown Drug Co.; Drug House; Duff Brothers; Geer Drug Co.; Kauffman Lattimer Co.; Rita Ann Distributors; Shawnee Evans Co.; Smith Higgins Co.; Strother Drug Co.; and the newest, Valdosta Drug Co.

Wholesaler profile

The additional acquisition of Meyers & Co., of Tiffin, Ohio, has been announced, but not finalized.

In an industry that continues to consolidate by acquisition, Alco Health Services, according to Joe Churchman, will aggressively seek acquisitions, but will also concentrate on internal growth. "Right now, Alco Health Services is debt-free, and that puts us in a very good position to pursue both avenues of growth."

Of its 12,000 customers, 5,300 are independent drug stores. Of that figure, 15%, or 650, are members of Alco's voluntary, the Family Independent Program. According to Churchman, the three-year-old voluntary program will be greatly expanded and promoted during the next several years.

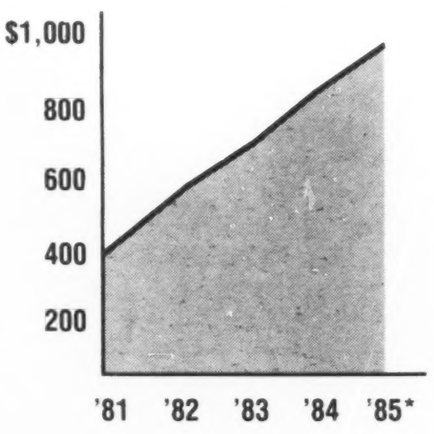
There will also be a continued emphasis on Alco's one-year-old "Total Home Health Care Program." Currently, about 300 retail drug stores are using this Alco service. "It's a total package," said Churchman. "The store provides nondurable goods and space. We provide the durable goods and all the other necessary services including third-party billing, delivery and service.

According to Churchman, the program has been developed so the small, neighborhood drug store can provide a complete home health care package for its customers, with very little expense or effort on its part.

Increased use of Alco's electronic order entry system last year brought the percentage of sales generated by this method to 75%.

Alco Health Services sales growth

(in millions)



Projected for year ended Sept. 30

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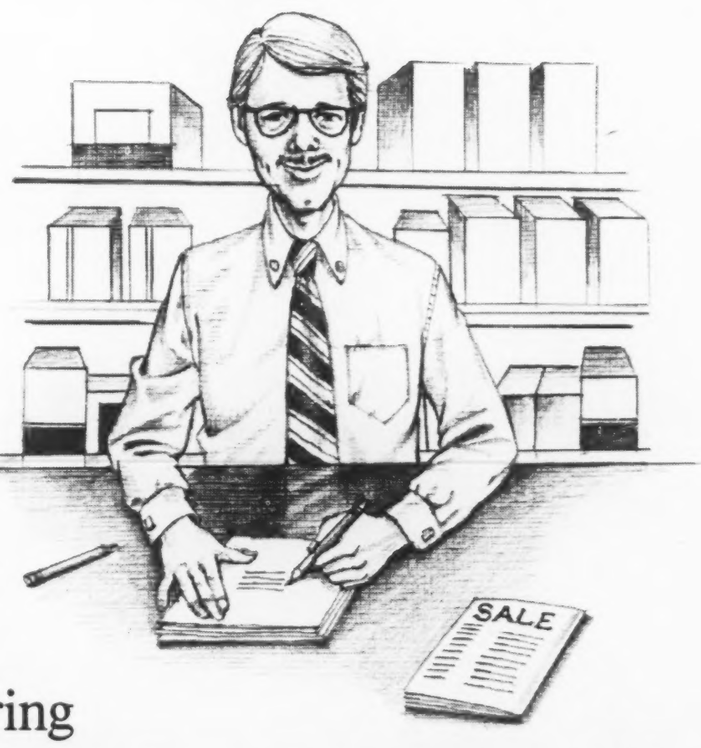

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Annual Wholesaler Report 1985

Bergen undaunted by collapse of merger

LOS ANGELES — Some call it hard-nosed. Others call it reality-oriented. But regardless of the terminology, the response to a difficult problem is often a tersely worded edict: Take your losses and get out.

That's what Bergen Brunswig did when it aborted its proposed merger with National Intergroup, a steel production company which also owned savings and loans.

Going in, the prospects looked like a geometric leap in Bergen's acquisition program. Some said it was a marriage made-in-fiscal-heaven because National had assets of $400 million plus $300 million in tax carry-forwards which would have shielded Bergen's healthy profits.

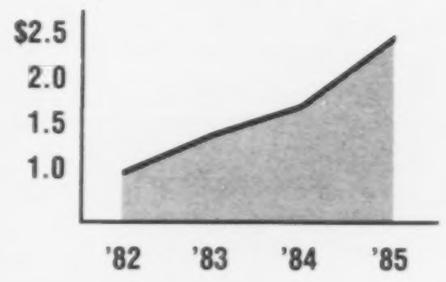
Thus, on Oct. 4, 1984, Bergen and National Intergroup announced a definitive agreement to merge.

But in April 1985, a few days before the merger was to have been consummated, Bergen called it off because of the sharp deterioration of profits in the steel industry for the first quarter of 1985. For Bergen, the rose was off National Intergroup's cash reserve bloom. So Bergen took a write-down of $951,000 and decided to go it alone.

Wholesaler profile

Bergen Brunswig sales growth

(in billions)



Years ended March 31

Neither Bergen nor its shareholders have regretted the decision.

Despite the write-down, Bergen managed to increase net profits 27% (from $18.3 million to $23.3 million) in the fiscal year ended Aug. 31, 1985. However, the company switched to LIFO during the third quarter of 1985. Had Bergen continued with FIFO, earnings would have increased 35%. Sales rose 43% (from $1.7 billion to $2.4 billion).

The National Intergroup episode was only a pause in Bergen's aggressive acquisition program. Prior to the National negotiations, Bergen had acquired the Allen Co., an Orlando, Fla.-based distributor of pharmaceuticals, as well as Synergex, West Coast drug and hospital supply wholesaler.

After the National Intergroup break-up, Bergen bought Davis Bros., Denver-based wholesaler with 70% of its sales in pharmaceuticals.

Bergen's most recent acquisition is Cibcoa Inc., a leading distributor of prerecorded video cassettes and consumer electronics, based in Northbrook, Ill.

Cibcoa will become part of Commtron, a Bergen subsidiary. Emil Martini Jr., chairman and ceo of Bergen, predicts that Commtron, as the result of Cibcoa, would reach revenues of $500 million in fiscal 1986.

Martini perceived the potential of consumer electronics in drug stores several years ago and that prompted Bergen to buy Commtron in 1982. At that time he told *Drug Store News:* "The company's most dramatic growth will come from consumer electronics."

The acquisition proved to be a 10-strike. In fiscal 1984 Commtron's revenues rose 72% (from $122.2 million to $210.4 million). In fiscal 1985; sales rose 49% to $314 million, and accounted for 13% of Bergen's fiscal 1985 revenues.

Another area of growth for Bergen is hospitals, where sales have gone from 6% of the company's sales in 1977 to 30% today. A plum in Bergen's cap was the signing of a three and a half year contract with Humana, with revenues expected to exceed $200 million over the life of the contract. Humana, which operates 82 for-profit hospitals in 22 states, will buy 75% of its needs from Bergen, with the initial mix being two-thirds pharmaceuticals and one-third supplies.

Bergen may not have been the first drug wholesaler to maximize the capabilities of the computer, but it has certainly done the most effective job of selling the concept—especially electronic-order entry.

As for the future, Martini projects an annual 25% rate of growth for the next five years, with 15% expected to come internally and 10% from acquisitions.

Martini is just as upbeat on the future of the wholesale drug industry. "Given unusually strong growth in hospital sales and new telecommunications links being forged between wholesalers and manufacturers, we believe that the electronic network that tied wholesalers to customers added 20 points to the wholesaler's market share (from 45% to 65%, from 1973-1985).

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Annual Wholesaler Report

Contract swells FoxMeyer hospital sales

AURORA, Colo. — FoxMeyer, the country's third largest drug wholesaler, boosted its hospital business significantly by signing a major supply contract with the Voluntary Hospitals of America.

Under the contract, FoxMeyer will provide medical and surgical supplies to VHA hospitals in many states west of the Mississippi, but also including Illinois and Michigan. VHA, which includes some of the most prestigious teaching hospitals in the country, is the largest nonprofit hospital group in the country.

Wholesaler profile

FoxMeyer estimates that the new contract will account for about $125 million in the first year, or about 10% of the corporation's total projected revenues of $1.25 billion for the fiscal year ending March 31, 1986.

Bill Tauscher, chairman, says the addition of the VHA hospitals to FoxMeyer's distribution network could bring FoxMeyer's total hospital supply business to as much as $250 million next year.

FoxMeyer's expansion in the hospital business was also hastened last year by the acquisition of Devco Medical Industries, a California distributor of medical and surgical supplies. In addition to Devco, FoxMeyer also has medical-surgical distribution centers in Denver, Oklahoma City, Kansas City and St. Louis.

Tauscher points out that FoxMeyer was not even in the hospital supply business a little more than two years ago.

Hospital supply is just one of the areas in which FoxMeyer has moved with a whirlwind swiftness that has impressed Wall Street analysts and earned the respect of competitors. The company has also racked up strong gains in drug distribution, which accounted for 69% of its $717 million in fiscal 1985 revenues, in pharmacy computer sales and in its Health Mart franchise drug store program.

Through a combination of fast-paced internal growth and a series of opportunistic acquisitions, FoxMeyer has increased its revenues by more than two and a half times from fiscal 1984 to the current fiscal year's projection. At the same time it has fulfilled one of it main strategic goals: aggressive market share growth.

And by moving quickly to assimilate acquired companies, it has achieved a second strategic aim—economies of scale and more efficient operations. For example, in a major warehouse consolidation last December, FoxMeyer replaced four outdated distribution centers in Memphis, Baton Rouge, New Orleans and Pensacola, Fla., totaling 180,000 sq. ft., with one 80,000-sq.-ft. state-of-the-art facility in Slidell, La.

FoxMeyer's biggest recent acquisition was McPike.

The McPike acquisition was only the latest and biggest of a series of buyouts, which also included the Louisiana-based $100 million I. L. Lyons (April 1984) and the Wisconsin-based, $80 million Yahr-Lange (November 1984). Last month FoxMeyer added Davis Wholesale Drug Co. of Baton Rouge (see story below).

Davis buy is third in one year

AURORA, Colo. — FoxMeyer has purchased Davis Wholesale Drug of Baton Rouge, La., which services drug retailers in Louisiana and Mississippi.

The transaction marks FoxMeyer's third acquisition in less than a year. The other two acquisitions were: McPike, headquartered in Kansas City, Mo., and Yahr-Lange in Elm Grove, Wis.

Davis Wholesale Drug, which has an annual sales volume of $25 million, will be serviced out of FoxMeyer's new supercenter in Slidell, La., 90 miles away.

Richard Bard, president and coo of FoxMeyer, told *Drug Store News* that servicing out of Slidell will result in economies of scale for FoxMeyer. "By feeding Davis' distribution into our present system, savings will result because we will need no separate building or separate inventory to maintain. In addition, we will reduce trucking costs."

Bard also noted that although Slidell is only 75,000 sq. ft., "it can handle up to $200 million in volume."

FoxMeyer operates in 22 states, from Ohio to Wyoming (east/west) and from Wisconsin to Texas (north/south).

FoxMeyer's sales in the fiscal year ending March 1986 are running at the annual rate of $1.2 billion. This compares with $717 million in fiscal 1985.

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Annual Wholesaler Report 1985

Profits reflect change in McKesson focus

SAN FRANCISCO — Based strictly on the figures, "lackluster" best describes McKesson's earnings over the past three years. In fiscal 1985 (ended March 31, 1985), while corporate sales rose 15% to $4.9 billion, net income—reflecting write-offs of discontinued operations—dropped 5.4%.

But the figures obscure the evolutionary changes taking place at the nation's No. 1 drug wholesaler because McKesson is a company in transition.

It started late in 1982 when McKesson's top command decided to withdraw from the food and real estate business and to consolidate the corporation's base in distribution. As a result, well over 40% of the corporation's assets were divested in the past three years.

The rationale for these divestitures, according to Neal Harlan, chairman and ceo, is "not because the businesses they represented were losing money, but we believed their potential growth was not sufficient to provide the kind of return we were willing to accept."

And what kind of return was that? A return on equity of 15% to 17% by the end of the 80's.

The centerpiece of McKesson's realignment is the Drug & Health Care Group—and justifiably so. While the corporation's net income has been flat, Drug & Health Group's revenues, profits, and identifiable assets were all up 17% to 18%. In fiscal 1985, for example, revenues rose 18% to $2.9 billion, and operating profit was up 17% to $70.2 million.

In the first quarter of fiscal 1986, Drug & Health Care Group again led the way—a 29% increase in revenues and a 28% gain in operating profit.

That is why McKesson is putting over 50% of its total capital investment into Drug & Health Care which accounts for 40% of the corporation's operating profit.

Few in the industry foresaw the swiftness of the 102-year-old corporation's change of focus. The opening salvo was fired in fiscal 1984 when McKesson acquired Lone Star Veterinary Supply Co. At about the same time, McKesson, acquired 3PM, developer of computer systems for pharmacies. A year later, Zee Medical was acquired.

Next came Rawson Drug and Sundry, leading West Coast service merchandisers of H&BA and nonfoods to supermarkets. Last December, McKesson annexed Johnson Drug of Tampa.

At the beginning of fiscal 1986, the pace quickened. In a period of less than six weeks, McKesson completed three acquisitions: Spectro Industries, Mass Merchandisers, and S-P Drug.

Wholesaler profile

All three are heavyweights in their fields. Spectro is the leading wholesale drug distributor in the middle Atlantic states, with a strong presence in New England, as well as in the Philadelphia-Baltimore-Washington D.C. area.

S-P Drug is the leading wholesaler in the adjoining New York-New Jersey-Connecticut region.

Mass Merchandisers—whose customers are primarily supermarkets—distributes 16,000 H&BA and general merchandise items to 11,000 retailers in 32 states. By linking Mass Merchandisers to Rawson, McKesson has created a $500 million a year service merchandising operation spanning most of the nation's major markets.

To service its growing distribution base, McKesson is investing $37 million in six state-of-the-art distribution centers, each 275,000-300,000 sq. ft. This follows the construction of 12 new distribution centers over the past five years at a cost of $41 million.

To create additional value across all operations, McKesson has come up with a "two-plus-two-equals-five" management concept.

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Rx/OTC news

PHARMACY

Cardiovascular drugs lead top 100 Rx sales

Cardiovascular drugs are once again the undisputed champs among the top 100 prescription drugs dispensed in the U.S.

According to *Drug Store News*' 2nd Annual Top 100 Rx Product Movement survey, compiled with the help of Decision Data, a North Arlington, Tex.-based pharmaceutical marketing research firm, cardiovascular drugs were the highest volume category as well as the most profitable for pharmacists.

The survey showed that cardiovascular drugs comprised 16% of the top 100 prescriptions based on unit movement and 18% based on dollar margin.

But the category's heaviest concentration was on the dollar volume list where it accounted for almost one-third (29%) of the top 100 prescription drug products.

While there is much crossover of indications between cardiovascular drugs and diuretics because of the latter's ability to lower blood pressure, the diuretic category stands alone in this year's study. There are many patients who take diuretics who do not have heart disease. Diuretic prescriptions accounted for 9% of the top 100 dispensed.

Top 100 Rx

Other heavy hitters include antibiotics and analgesics.

Antibiotic products accounted for 13% of the top 100 drug products, while analgesics captured an 11% share. In dollar volume, antibiotics and analgesics both accounted for 9% of the top 100 Rx drugs. They also accounted for an equal share of the top 100 profit-producing drugs.

Antiarthritics, with 10 drugs in the top 100 unit list, had greater success in the dollar volume and margin rangings with 14 and 13 positions, respectively.

In the cardiovascular category, there were "regulars" like Lanoxin, Aldomet and Inderal, as well as some "first-timers" like Nitrostat, Catapres and Minipress.

One newcomer to make a place for itself in all three criteria (number of Rx's, dollar volume and dollar margin), was Merrell-Dow's hugely successful nicotine chewing gum, Nicorette.

Cardiovasculars

Those drugs used to regulate the heart beat and keep it strong were still among the most popular drugs dispensed.

Burroughs-Wellcome's

Continued on page 64

Top 10 fastest-moving cardiovascular drugs
(# of scripts)

	Top 100 rank
1. Aldomet tabs 250mg*	10
2. Inderal tabs 40mg*	13
3. Inderal tabs 20mg*	15
4. Inderal tabs 10mg*	24
5. Lanoxin tabs 0.25mg	7
6. Lanoxin tabs 0.125mg	8
7. Tenormin tabs 50mg	11
8. Lopressor tabs 50mg	18
9. Procardia caps 10mg	21
10. Nitrostat tabs 0.4mg	64

*=study was done before patent expiration

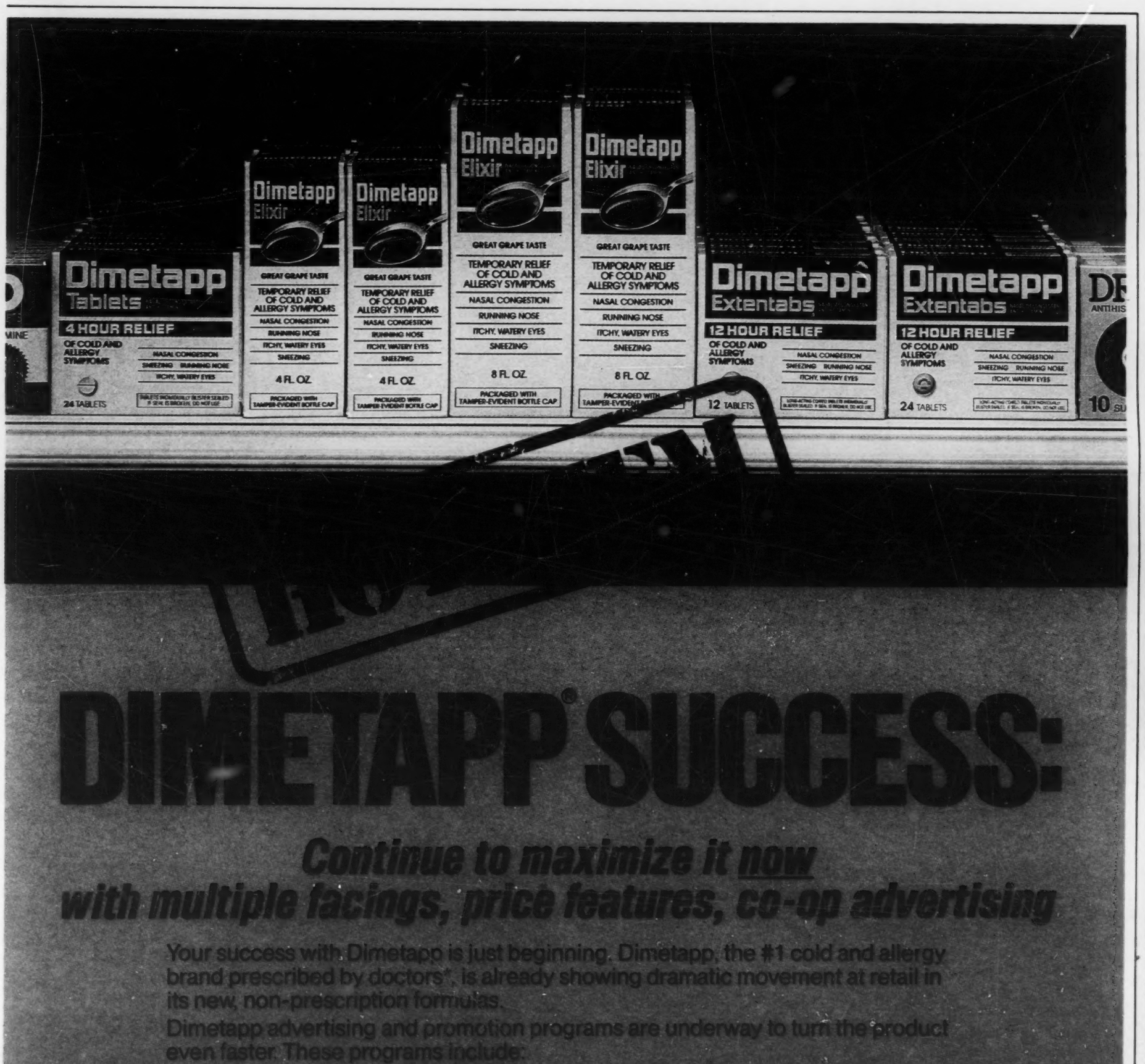
Source: Decision Data

Top 10 most profitable cardiovascular drugs
(gross profit $)

	Top 100 rank
1. Aldomet tabs 250mg*	17
2. Inderal tabs 40mg*	21
3. Inderal tabs 20mg*	23
4. Inderal tabs 10mg*	37
5. Tenormin tabs 50mg	8
6. Lanoxin tabs 0.125mg	12
7. Lanoxin tabs 0.25mg	14
8. Procardia caps 10mg	19
9. Lopressor tabs 50mg	25
10. Minipress caps 1mg	69

*=study was done before patent expiration

Source: Decision Data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Rx/OTC news

PHARMACY

Antibiotics, analgesics excel in scripts filled

Continued from page 62

Lanoxin brand of digoxin was the most widely dispensed cardiovascular drug. Two of the most popular strengths made the list, 0.25mg and 0.125mg.

While Lanoxin is widely used as a routine cardiovascular maintenance drug by many physicians because of its effectiveness and wide margin of safety, it is relatively inexpensive and does not provide a sizable dollar volume for the pharmacist. In fact, many pharmacists use Lanoxin as their generic brand of digoxin because of its low price.

Of the 29 cardiovascular drugs that made the top 100 listing based on dollar volume, Lanoxin 0.25mg placed 21st and Lanoxin 0.125mg 24th. Because pharmacists are working off a low dollar cost, they are able to make a decent profit margin without charging excessively for the drug. Based on profit margin, the Lanoxin products grabbed the second and third positions out of the eight cardiovascular drugs listed.

Among the beta blockers, Ayerst's Inderal is the blockbuster. Inderal is available in six strengths—10mg, 20mg, 40mg, 60mg, 80mg and 90mg —but half made it into the list of cardiovascular drugs (10mg, 20mg, 40mg). These three strengths accounted for 19% of the cardiovascular drugs in the top 100, based on number of prescriptions dispensed.

Top 100 Rx

Only one nitroglycerin product made the top 100, Parke Davis' Nitrostat.

Antibiotics

Antibiotics accounted for the second best productivity ratings based on number of prescriptions filled.

Because antibiotics are generally not refilled as frequently as other medications, many pharmacists charge more.

Consequently, the antibiotic category was one of the highest profit producers among the top 100 prescription products.

One newcomer to the category was Lilly's Ceclor capsules 250mg, just making the top 100 list at position 100 and ranking 13th within the antibiotic category.

Analgesics

Tylenol with codeine No. 3 and Darvocet-N 100mg dominated the analgesic category by capturing the first and second slots, respectively. Both products contain the nonaspirin pain reliever acetaminophen.

Topping the list, McNeil's Tylenol with codeine No. 3,

Continued on page 65

Top 10 fastest-moving antibiotic drugs
(# of scripts)

	Top 100 rank
1. Keflex caps 250mg	16
2. E.E.S. 400 filmtabs	22
3. Amoxil susp 250mg/5ml 100ml	26
4. Amoxil caps 250mg	30
5. Keflex caps 500mg	35
6. Amoxil susp 125mg/5ml 100ml	36
7. Bactrim DS	38
8. Septra DS	51
9. Eryc caps 250mg	63
10. E-Mycin tabs 333mg	75

Source: Decision Data

Top 10 most profitable antibiotic drugs
(gross profit $)

	Top 100 rank
1. Keflex caps 250mg	9
2. E.E.S. 400 filmtabs	13
3. Keflex caps 500mg	15
4. Bactrim DS	29
5. Amoxil susp 250mg/5ml	32
6. Amoxil caps 250mg	38
7. Septra DS	41
8. Amoxil susp 125mg/5ml	48
9. Eryc caps 250mg	52
10. Ceclor caps 250mg	68

Source: Decision Data

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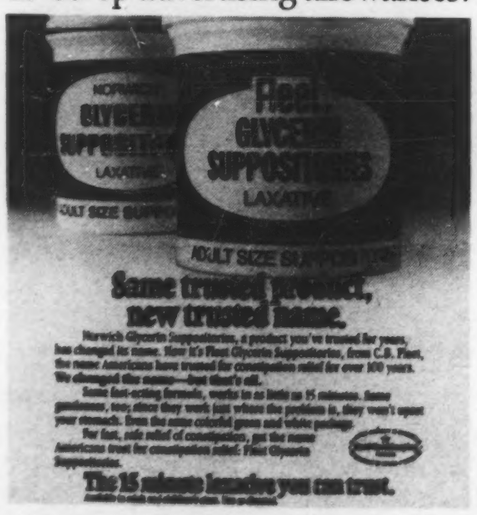

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Rx/OTC news

PHARMACY

Upjohn tranquilizers leap to higher positions

Continued from page 64
with its double-barrel codeine and acetaminophen analgesic action, propelled that product to the No. 2 slot among the top 100.

In terms of profit margins, Tylenol with codeine edged out Darvocet-N within the analgesic category, taking the No. 1 and 2 positions, respectively, and 2 and 3 among the top 100 drugs listed.

Top 10 fastest-moving analgesic drugs
(# of scripts)

	Top 100 rank
1. Tylenol w/ codeine #3 tabs	2
2. Darvocet-N tabs 100mg	5
3. Tylenol w/ codeine #4 tabs	61
4. Percodan tabs	62
5. Empirin w/ codeine #3 tabs	66
6. Fiorinal w/ codeine #3 caps	81
7. Synalgos-DC caps	83
8. Lomotil tabs 2.5mg	87
9. Fiorinal tabs	88
10. Parafon Forte tabs	91

Source: Decision Data

Top 10 most profitable analgesic drugs
(gross profit $)

	Top 100 rank
1. Tylenol w/ codeine #3 tabs	2
2. Darvocet-N tabs 100mg	3
3. Vicodin tabs	28
4. Percodan tabs	42
5. Tylenol w/ codeine #4 tabs	44
6. Fiorinal w/ codeine #3 caps	59
7. Parafon Forte tabs	60
8. Empirin w/ codeine tabs #3	61
9. Synalgos DC caps	64
10. Lomotil tabs	

Source: Decision Data

Top 100 Rx

Birth control

Oral contraceptives manufactured by Ortho Pharmaceuticals and Wyeth Laboratories dominated the birth control category based on number of prescriptions dispensed.

Because birth control tablets are highly competitive, many pharmacists sell the tablets at little or no profit. This was verified by the survey. None of the birth control products made it into the top 100 prescription product listing based on dollar margins.

None of the new triphasic oral contraceptives appeared on the list primarily because they were just introduced last year. But market reports show the triphasics impacting on the market favorably.

Antiulcer

The race for market share in the antiulcer category between SKF's Tagamet and Glaxo's Zantac was once again won by the SKF product as the No. 1 antiulcer product.

Introduced in mid-1983, Zantac has made some strong inroads into this market. It has become a major competitor for Tagamet as well as a major mover within the top 100 prescription product listing.

Last year, Zantac was the 63rd best moving prescription product within the top 100. This year, Zantac moved up 40 notches to settle in as the 23rd most dispensed product. The story is much the same when compared to the other products based on dollar volume. Last year, Zantac ranked 35 in the top 100: This year it ranks an impressive fourth.

Tranquilizers and sedatives

Valium 5mg tablets managed to hold on as the No. 1 tranquilizer in number of prescriptions, dollar sales and gross profit dollars, although it has lost some of its footing in the total listing of the 100 highest volume drugs. Valium dropped one slot on that list to the No. 5 position. With the drug recently going off patent, it is expected to slip even further.

One of the most dramatic changes in the tranquilizer market came from Upjohn with two of its hot new products, Xanax and Halcion.

Xanax 0.5mg jumped two positions within the tranquilizer category to land as the fourth fastest moving tranquilizer. But in the overall top 100 listing, Xanax 0.5mg took a quantum leap over last year's 94th position to settle as the 47th fastest moving drug.

It was much the same story with Xanax 0.5mg on the dollar volume list. Last year, Xanax ranked 78th in the highest volume category. This year the drug jumped 45 places to No. 33. Under the most profitable listing, Xanax 0.5mg jumped 31 positions, becoming the 36th most profitable drug among the top 100.

Most productive Rx drug categories
(number of products in Top 100)

	# of products in Top 100 (scripts)	# of products in Top 100 ($ sales)	# of products in Top 100 (gross profit $)
Antibiotics	13	9	13
Antiarthritics	10	14	13
Antiepileptics	1	1	1
Antiglaucoma	1	1	1
Analgesics	11	9	13
Antiulcer	4	4	3
Antiasthmatics	4	4	4
Birth Control	7	4	1
Cardiovasculars	16	29	18
Cough/cold	5	—	5
Diuretics	9	6	9
Hormones	4	4	4
Other	1	4	1
Oral Hypoglycemics	2	3	2
Sedatives	3	1	2
Tranquilizers	8	6	9
Vaginals	1	1	1

Source: Decision Data

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Special report: *Retailer EXcellence award overview—p. 13*

Pharmacy: *Generic substitution continues to rise—p. 38*

Merchandiser: *Exercisers are good sellers in drug chains—p. 27*

DRUG STORE NEWS

Vol. 7/No. 25 **Serving chains, wholesalers and high-volume independents for 56 years.** Published by Lebhar-Friedman Inc. November 25, 1985

Adams off the block . . . for now

"People in the MacAndrews Group are very pleased with us. Their attitude at the moment is, they plan on keeping Adams, and developing its growth."

James Salmanson
Adams president and ceo

NEW YORK — Officials at Adams Drug Stores say MacAndrews and Forbes, owner of Pantry Pride, has reversed its decision to sell the 430-store retail drug chain.

They say the holding company has now decided to support the chain's expansion plans, including a major expenditure to upgrade Adams' corporate computer center.

Analysts speculated, however, that the change in heart may be the start of an effort to increase Adams' value for a later sale.

Pantry Pride advised Adams of its new stance last month, before it won control of Revlon Inc., after the $2.4 billion cosmetics and health care company on Nov. 1 accepted a $1.83 billion Pantry Pride tender offer, ending a three-month hostile takeover siege.

Adams' fate is presently more certain than that of Revlon's business units. Industry observers say that Ronald Perelman, MacAndrews and Forbes' owner, who was elected Revlon chairman and chief executive officer last week, is certain to sell off a majority of the units, but Pantry Pride hasn't decided which ones. The company won't act until it reviews Revlon's books.

The issue is complicated by agreements Revlon had struck in October with Forstman, Little, a New York investment firm, to sell off some of the units in order to thwart Pantry Pride's hostile bid by taking Revlon private in a le-

Continued on page 31

Pay 'n Save spinoff splits control 50-50

SEATTLE — Pay 'n Save stores, the 108-unit super drug chain centered in the Pacific Northwest, has been spun off by Pay 'n Save Corp. as a separate company controlled on a 50-50 basis by the Zimmerman Family Partnerships and the Trump Group.

William Zimmerman, a founder and former chairman of Pic 'n Save Stores, the country's leading closeout merchandise chain, has been named chairman of the new corporation, which last year generated sales of $509 million.

Zimmerman, who sold his family's interest in Pic 'n Save in 1984, will head a management team that includes Allen Culver as president. Culver will also continue as chairman of the 82-store Northwest Division of Pay 'n Save and Maynard Jenkins will remain president of that division.

The terms of the deal in which Zimmerman Family Partnerships bought a partnership in the stores were not disclosed.

Zimmerman is well known in discount store circles as an expert in acquiring closeout and import merchandise, having developed a network of sources both here and abroad in the years he headed Pic 'n Save. Goods acquired in this way were sold to customers at discounts ranging from 40% to 70% off usual retail prices.

Retail observers expect him to bring this expertise to bear at Pay 'n Save, which would mean a new, sharper pricing strategy for the drug stores.

Zimmerman himself, in a statement issued from the company in Seattle, said he looked forward to building on Pay 'n Save's "fine reputation and excellent customer base" by improving "the values brought to every Pay 'n Save customer."

Commenting on the spinoff, Allen Culver said the management "plans to focus on two particular strategies to further strengthen the chain. Centralization of certain warehousing buying and pricing functions has already begun in the past year."

Culver also noted that the company planned to incorporate Zimmerman's "successful merchandising strategies developed over 40 years in retailing."

The spinoff is the latest chapter in the split-up of the old Pay 'n Save Corp. by the Trump Group, which acquired the Seattle-based retailing company in a leveraged buyout last year.

FoxMeyer appetite voracious as it drives to $2.7B in sales

News analysis

By Al Heller

NEW YORK — The anticipated takeover by FoxMeyer of two Household Merchandising companies, as part of a $700 million-plus leveraged buyout bid, would step up the growth-by-acquisition strategy of the nation's third largest drug wholesaler.

If FoxMeyer acquires the wholesale/franchise operations of 1,629 Ben Franklin variety stores and 1,079 Coast-to-Coast hardware stores—as expected by FoxMeyer officials by January or soon after—it would significantly help FoxMeyer reach its $2.7 billion sales goal by the end of fiscal '87 (year ended March 31, 1987).

FoxMeyer has operated this fiscal year at a $1.25 billion revenue pace, up 74% from $717 million a year earlier.

But next year's challenge to more than double in sales is even greater, and will probably include at least one more drug wholesaling acquisition in 1986, according to president Richard Bard.

Growth will come from several areas, he explained: the combined $705 million revenues of Ben Franklin and Coast-to-Coast; $125 million from its medical and surgical supply contract with Voluntary Hospitals of America; internal growth of about 20% annually; and other possible upcoming takeovers.

Store counts of Ben Franklin and Coast-to-Coast far outnumber supermarket chain Vons (176) and discounter T.G. & Y. (739), the other operating companies of Household Merchandising expected to be taken private by HMI

Continued on page 50

Colson: Rx Place targets expansion

NEW YORK — Deep discounter Rx Place will grow from its current two stores to at least 12 within two years, said president Ken Colson.

Another company source went further in predicting that the seven-month-old division of F. W. Woolworth would probably expand to 90 stores within a decade.

Initial expansion will focus in eastern and northeastern markets, said Colson, as the fledgling chain grows beyond its initial sites in Stratford, N.J., and Levittown, Pa.

The next five stores are expected to be in northern New Jersey, possibly by late spring, as the chain builds a northbound belt between existing stores and headquarters, said other trade sources.

However, its growth hub won't necessarily be Philadelphia, said Colson, Drug Emporium, with nine sites at presstime, to be 12 by year's end, and Rite Aid's Drug Palace, with two, have already penetrated. "There'll eventually be very few places without head-to-head competition in this format. To be first in a market will be an advantage," Colson said.

Plans for five additional Rx Place stores in 1986 and another five in 1987 will continue a strategy that's evident in its first two locations, according to Colson.

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F. W. Woolworth's Rx Place, Levittown, Pa., reinforces its low price image with overhead signs.

TE NEWS....LATE NEWS....LATE NE

As a result of organizational restructuring at the Jack Eckerd Corp., 30 people, including several vice presidents, are leaving the company. Sources say the departures are partly the result of streamlining designed to eliminate jobs that are duplications or no longer necessary and partly the result of the pending leveraged buyout of Eckerd by executives at the company.

Private label sales growth prompts new programs See page 99

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Rite Aid will break ground on fourth d.c.

LOS ANGELES — Rite Aid will start building its fourth distribution center this coming spring. The 265,000-sq.-ft. facility, located in Columbia, S.C., will open early in 1987.

Alex Grass, chairman and president of the 1,360-store chain, said the new d.c. will shorten the supply lines for the 165 stores operating in North Carolina (100), South Carolina (50) and Georgia (15).

These stores are currently being serviced by the 290,000-sq.-ft. facility in Charleston, W. Va., as much as 10-12 hours away by truck from the Deep South stores.

Rite Aid's other two centers are in Rome, N.Y. (290,000 sq. ft.), and Harrisburg, Pa. (425,000 sq. ft.).

"These distribution centers," Grass told the Los Angeles Society of Financial Analysts, "will increase our service capacity to over 2,000 stores. We expect to reach 1,400 stores by the end of the current fiscal year and to add 10% to the store count annually."

Other developments outlined by Grass included the following:

- Rite Aid has opened a new 7,000-sq.-ft. Encore Book Store prototype in Springfield, N.J., that includes discounted greeting cards and school/stationery/office supplies. The typical Encore is 4,000 sq. ft.
- The company is using its sophisticated in-store computer system to develop a software program for video rentals.

"This software is now in the final test stage, and we expect to utilize the system early in 1986," Glass said.

- Private label (with more than 1,000 items) now accounts for 13.3% of the chain's volume.
- Rite Aid has felt the impact of the price wars that have occurred in some markets.

"In the Baltimore price war," Grass said, "we lost 4% to 5% of our sales on a temporary basis. We did not adjust our prices to get into the battle. We feel that the customers will return to us."

- Pharmacy sales as a percentage of volume grew to 35.3% in the past six months compared to 32.6% in that period last year. Generics now account for 28% of all scripts filled.

NEWS IN BRIEF

Suits filed against Eckerd buyout

CLEARWATER, Fla. — In what is described as a "common occurrence," two class-action suits have been filed against the Jack Eckerd Corp., seeking to invalidate a leveraged buyout by officers, employees and an investment group led by Merrill Lynch Capital Partners Inc.

Jack Eckerd's management has labeled both suits "without merit" and says the company intends to defend itself and conclude the deal on schedule.

Analysts who follow Eckerd also say that such suits are "commonplace" and usually reflect the disgruntlement of a few isolated individuals. Informed sources also don't fear that the suits will impede the settlement of the $1.2 billion buyout, the largest in the chain drug industry.

The suits were filed earlier this month by an individual, Claire Merritt, and by a group, the Wildflower Partnership. An attorney for Wildflower said the suit takes issue with the $5 valuation placed on securities included in the proposed deal. The suit also objected to the "lock up" option under which Merrill Lynch is entitled to buy 6.6 million shares of Eckerd at $33 each, prior to the leveraged buyout.

Omholt named Northwestern prez

SEATTLE — The Trump Group has appointed Roger Omholt president of Northwestern Drug.

Omholt joined Northwestern in 1979 and has served at a variety of officer-level positions; treasurer, chief financial officer—and most recently senior vp-purchasing and chain relations.

Omholt succeeds Joe Christy who has left the company. Christy, a Pay 'n Save exec for 10 years, was named president of Northwestern in February 1984, when Trump acquired Pay 'n Save.

McKesson nets $19M in 2nd quarter

SAN FRANCISCO — McKesson Corp. has announced its second quarter, Sept. 30, financials, showing a net of $19 million, or $1.01 per share, compared to last year's $16.7 million, and 92¢ per share.

Total revenue for the quarter was $1.5 billion, compared to $1.2 billion for last year.

For the first six months, McKesson registered total sales of $2.9 billion, compared to 1984's $2.3 billion. The net for the period was $35.9 million, or $1.92 per share, compared to $31.5 million, and $1.72.

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Vol. 7, No. 25 November 25, 1985

Legal arm to tighten grip on drug diversion crimes

WASHINGTON — Justice Department officials called on state drug regulators to crack down on diverters of adulterated drugs by tightening up pharmacy inspection procedures and increasing criminal fines.

In testimony before House Energy and Commerce Committee chairman John Dingell's investigations subcommittee, Justice Department attorney Larry D. Thompson said the fines typically levied on upscrupulous diverters under most state laws are "too low" given the "amount of money involved and the excessive profits gained" through the diversion of pharmaceuticals.

Members of the subcommittee listened as one small-time diverter appeared on a videotape boasting about his "excessive profits" to an undercover Federal Bureau of Investigation (FBI) "pharmoney" agent last spring.

The diverter told the agent he "sold $111,000" in diverted pharmaceuticals the previous week.

The recent release of legal constraints on the Justice Department officials in connection with the "pharmoney" operation prompted Dingell to hold a fourth round of hearings on Rx diversion late last month.

The subcommittee's three previous hearings began after the discovery last year that some two million counterfeit versions of Searle's Ovulen-21 oral contraceptive tablets had been channeled into the nation's drug stores and wholesale drug warehouses through the diversion market.

Thompson, who quarterbacked the "pharmoney" sting operation which uncovered almost $600,000 in diverted and adulterated pharmaceuticals, told the Congressmen that "at least one drug store in every city, town and village" involved in the sting operation "was found to be illegally dispensing" adulterated and misbranded drugs.

FBI special investigator Hal N. Helterhoff said state drug regulators can get these dangerous medications off the shelves by changing their auditing procedures.

"State agencies should implement unscheduled audits of drug stores," Helterhoff told the Congressmen.

Both Justice Department officials, appearing before the subcommittee for the first time, cautioned members on the need for tighter regulations governing the diversion market because many of the diverted drugs confiscated in the "pharmoney" operation were found to be expired, placed in unsanitary containers or treated with toxic chemicals.

Most of the drugs uncovered by the FBI were "sample" drugs given to medical doctors, the Justice Department official said.

Drug chain buyers see future in 'Eurostyled' items at show

Products inspired in color and sleek design by Europe invaded the Fall Housewares show leaving chain drug store executives wondering if their audience is ready for this highly fashionable Eurostyling trend.

"We're optimistic about the Eurostyle trend," reported Lloyd Coe, buyer, and Mickey Kole, president, of Perry Drug Stores. "We hope our customers are ready for some of the new designs and colorings."

A contrasting view was presented by Jim Fisher, director of merchandising for Fruth Pharmacy Inc., in Point Pleasant, W. Va. "We operate in rural areas and our customers are pretty conservative. We'll leave the Eurostyling to department stores and discounters."

"Drug chains can do great things with the colored, often blister-packed and carded hair care appliances," reported Anne Kabak of Associated Chain Drug Stores. "They shouldn't shy away."

During the housewares gathering at both McCormick and McCormick West, chain drug buyers were flocking to booths containing hot new color entries from Conair, Clairol, Helen of Troy and Candies, a debut line gathering great interest from drug store executives. Praise was also given Conair's High Energy line for its multipackaging of a blow dryer, hair brush and mousse.

The most promising colors in hair care appliances, according to Revco's director of purchasing and marketing Neil Roth, are the bright pinks and blues.

Representatives of chains including Peoples, Genovese, Eckerd, Revco and Fruth confirmed that the advent of color and pegged packaging is pushing up volume of personal care. Vendors, too, say drug chains will probably start grabbing more than their traditional 15% of that market thanks to their aggressiveness with the color lines.

Chains attending the show also have their sights set on expanding their volume in the burgeoning $500 million microwave cookware market. During the show, retailers viewed new offerings of disposable, lightweight microwave bakeware from Anchor Hocking and Nordic Ware. According to a buyer from Eckerd, this new generation of cookware is perfect for drug chains because prices can go as low as $2 for a package of five items.

Other chain executives prowled the floors in search of one item that could make the show worth the trip. For Fay's Jim Wuest, that spark came from new uses of color and design in storage goods.

Tony Fanticola, now vp general merchandise for Vons Grocery Co., praised a line of 22-in. framed decorative prints which he said he could "really move" at $9.99 per picture. And for Kabak, one pick of the show was a party dish from Marsha ceramics.

Despite the influx of new products, chain officials complained about the timing to the show. Since it is so close to Christmas, said Kabak, retailers can not pick up last minute items and instead plan for spring. Some chains even said the timing is so bad they may not attend the fall housewares show in 1986.

FINANCIAL

Medicare-Glaser reports 2nd-quarter loss

ST. LOUIS — Medicare-Glaser's long-term strategy to increase market share continued to have a negative impact on the chain's bottom line.

In the second quarter ended Sept. 30, the company reported a net loss of $167,000, or 5¢ a share, compared to earnings of $167,000, or 5¢ a share, in the same quarter last year.

Sales for the quarter increased a slim 5.1% to $20.6 million from $19.6 million in the same period a year ago.

For the first six months, Medicare-Glaser recorded a loss of $305,000, or 10¢ a share, compared to a profit of $281,000, or 9¢ a share, last year. Sales increased 7% to $42 million.

Commenting on the results, Harlan Steinbaum, president and ceo, said: "Our second-quarter and first-half performance was disappointing, however, not unexpected by the company or its shareholders."

Steinbaum said the company had predicted that its attempt to boost market share in its key St. Louis metro market would create a drag on performance.

The growth strategy includes conversion of some professional pharmacies into full-line Medicare-Glaser drug stores, opening new stores and stepping up advertising and promotion.

During the second quarter, the chain converted two smaller professional pharmacies to full-line drug stores and purchased an additional full-line drug store. At the end of the quarter, the company was operating 39 full-line drug stores, 48 professional pharmacies, 12 retail optical stores and a home health care center.

In addition, Medicare-Glaser's wholly owned computer software subsidiary, Professional Drug Systems, signed eight contracts, seven directed to the hospital and physician markets and one to drug retailers.

Steinbaum noted that the second-quarter sales per cent gain would have been greater, but last year's sales were boosted by the delivery of computer software to a major drug retailer.

Steinbaum also pointed out that the second quarter bottom line was jolted by a charge of $118,000 relating to the closing of its Megs deep-discount operation. Medicare-Glaser had already taken a $295,000 writedown on Megs at the end of fiscal 1985.

Bindley gains in 3rd quarter

INDIANAPOLIS — Bindley Western Industries, the country's sixth largest drug wholesaler, reported that net income for the third quarter ended Sept. 30 increased 7% to $1.1 million, or 17¢ a share, from $1 million or 16¢ a share, in the comparable period last year.

Sales for the quarter rose 14% to $161.2 million from $141.2 million.

For the nine months, net income increased 14% to $3.8 million, or 58¢ a share, from $3.3 million, or 52¢ a share, last year.

Nine-month sales rose 13% to $458.1 million.

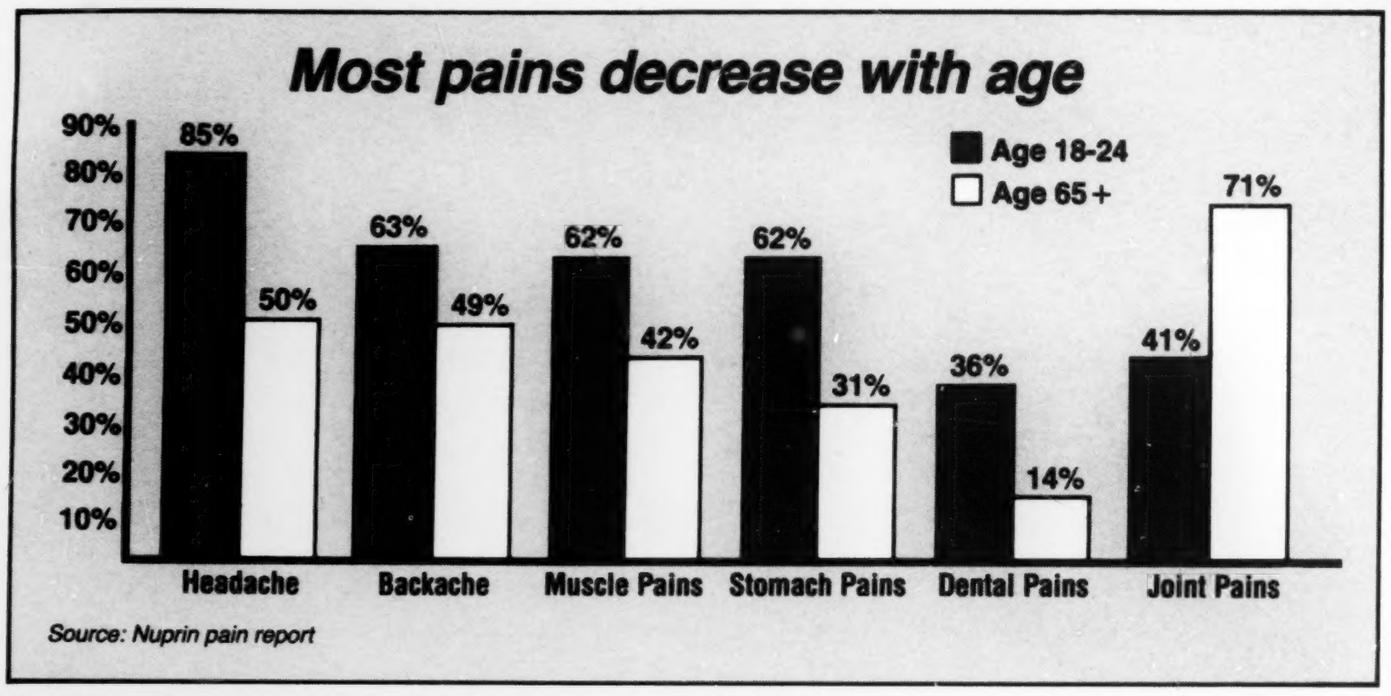
Last year's results were restated to reflect a 2-for-1 stock split effective April 15, 1985.

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 10/18/85 - 11/04/85							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. rate			Last Fiscal Year			Last Fiscal Year (Per Share)	
					Change		52-Week																			
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct			Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	63.75	57.00	63.50	4.25	7.17	67.50	35.38	.20	.76	.29	28.52	5.71	1.67 S	42.0	34.0	1.5	11.2	.64	1.0	09-16-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	16.00	16.00	16.00	.00	.00	17.63	15.00	-.20	-.20	-4.80	.00	1.26	-.07 Q	-5.0	3.0	1.1	12.1	.72	4.5	07-15-85	66.1	.7	1.7	13.77	18.84
Big B	BIGB	14.50	13.38	14.25	-.75	-5.00	19.50	10.63	-.32	.26	-1.60	-59.06	.68	.12 S	20.3	15.0	3.0	20.1	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	4.50	4.13	4.13	-.38	-8.33	6.13	3.38	-.49	-.85	.81	-73.68	.35	-.12 Q	-24.0	NC	1.2	10.9	.60	14.5	05-09-85	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	29.50	28.63	29.50	.25	.85	32.88	20.00	-.10	.36	-1.91	42.18	2.27	-.03 N	-1.4	2.0	3.3	13.7	1.04	3.5	09-09-85	2622.5	85.4	2.0	2.52	16.47
Fay's Drug	FAY	9.00	8.13	8.75	.00	.00	13.00	8.13	-.26	.93	.21	24.33	.62	-.22 S	-33.3	33.0	2.4	19.9	.20	2.3	09-23-85	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	10.38	10.13	10.25	.00	.00	15.88	9.13	-.18	-.35	-1.39	69.29	1.03	.07 S	6.8	40.0	1.9	9.3	.20	2.0	09-24-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	28.50	27.13	28.00	1.00	3.70	31.13	21.38	.25	-.17	-.83	1.36	1.88	.14 S	7.8	9.0	2.9	14.5	.72	2.6	08-27-85	1375.8	40.1	2.1	.00	12.23
Medicare Glaser	MGCO	4.75	4.25	4.50	-.13	-2.70	6.25	3.50	-.02	-.72	9.10	-23.55	.05	-.47 Q	-100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Perry Drug	PDS	17.38	15.50	17.00	1.38	8.80	17.38	10.75	.65	1.63	2.92	25.68	.84	.09 N	11.0	14.0	2.1	18.7	.19	1.1	09-11-85	370.3	7.6	1.5	1.60	7.07
Revco Drug	RDS	29.50	26.50	27.00	-1.25	-4.42	29.50	22.50	.24	-.81	1.10	3.97	1.06	-1.61 Q	-63.9	-1.0	1.6	29.7	.80	3.0	08-19-85	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	24.50	22.50	22.63	-.88	-3.72	33.50	21.50	.00	-.77	-.88	-25.58	1.69	.13 S	8.2	9.0	4.8	13.2	.50	2.2	10-07-85	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	24.50	19.00	24.00	4.88	25.49	24.50	18.13	.48	3.42	8.62	20.16	1.40	.24 N	18.2	15.0	2.1	15.4	.60	2.5	05-06-85	1299.3	27.9	1.5	4.46	7.72
Walgreen Co	WAG	26.50	24.50	25.50	-.63	-2.39	30.25	20.00	.31	-.66	-3.16	21.35	1.53	.14 F	10.1	21.0	3.0	16.7	.50	2.0	11-05-85	3161.9	94.2	1.7	.87	6.76
Wholesaler's transactions																										
Bergen Bruns	BBCA	29.88	26.25	29.88	3.63	13.81	32.38	20.50	-.02	1.63	3.14	7.23	1.91	.34 F	21.7	16.0	1.0	15.6	.32	1.1	10-28-85	2434.9	24.2	1.6	1.08	11.11
Bindley Wstn	BIND	10.63	10.00	10.00	-.38	-3.61	15.00	9.25	-.19	-1.19	7.47	-78.04	.73	.16 S	25.8	23.0	.8	12.8	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	17.00	16.50	16.75	.00	.00	18.50	10.91	-.02	.06	-7.83	82.10	1.01	.17 Q	18.9	NC	1.2	15.7	.08	.5	10-08-85	320.0	3.7	1.7	.94	8.85
Durr Fillauer	DUFM	10.63	9.88	9.88	-.50	-4.82	15.25	9.81	-.70	-1.29	3.72	20.77	.74	.13 S	19.1	15.0	1.7	12.2	.14	1.4	07-01-85	341.7	5.8	2.3	1.21	6.05
McKesson Cp	MCK	48.25	46.88	47.88	.75	1.59	50.00	37.00	.01	.04	-.14	47.68	3.60	.02 S	.5	-1.0	1.3	12.7	2.40	5.0	08-27-85	4887.1	65.0	1.5	12.99	30.40
Foxmeyer Cp	FXM	24.00	22.00	23.00	-.75	-3.16	29.75	21.00	-.39	-.39	3.48	-21.98	1.56	.02 S	1.3	26.0	1.3	14.6	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51
Ketchum	KCH	20.63	18.00	19.25	-.75	-3.75	22.97	13.47	.51	1.06	2.16	32.38	.56	-.03 Q	-4.9	NC	.2	33.2	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
Owens & Minor	OBOD	15.25	13.38	14.00	-1.50	-9.68	16.63	8.00	-.62	.21	.27	-57.44	.95	.23 N	26.1	16.0	1.2	12.6	.28	2.0	09-10-85	306.7	3.6	3.0	5.35	8.54
Manufacturer's transactions																										
Abbott Labs	ABT	59.38	56.00	58.25	.88	1.53	60.00	38.63	-.05	.25	1.59	5.97	3.34	.52 N	16.3	17.0	13.0	15.7	1.40	2.4	10-08-85	3104.0	402.6	1.9	3.91	13.33
Am Home Prod	AHP	58.38	54.75	57.63	2.50	4.54	66.88	48.00	-.34	.41	1.42	11.24	4.39	.26 N	6.0	11.0	15.1	12.6	2.90	5.0	05-07-85	4485.5	675.6	3.4	.26	13.74
Baxter Travenol	BAX	13.63	12.50	12.75	-.88	-6.42	16.88	11.75	-.15	-.51	-1.50	8.52	.21	-1.06 N	-82.8	-25.0	1.6	58.0	.37	2.9	09-09-85	1800.4	29.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	42.50	39.00	42.50	3.50	8.97	42.50	28.16	.09	.25	5.54	-46.92	3.48	.40 S	12.1	12.0	10.5	11.5	1.00	2.4	08-27-85	247.8	25.9	2.4	3.28	22.47
Bolar Pharm	BLR	15.63	13.63	14.50	.88	6.42	22.63	11.25	.30	-.56	-.35	-1.69	.61	.13 S	22.8	23.0	18.2	20.7	.03	.2	08-06-85	29.1	5.3	7.5	.00	3.70
Bristol-Myers	BMY	59.25	55.50	58.50	1.75	3.08	66.50	47.25	-.04	.76	.81	-6.24	3.45	.42 N	12.5	14.0	11.3	15.5	1.88	3.2	09-30-85	4189.4	472.4	2.5	.75	15.63
Carter-Wallace	CAR	45.63	36.63	44.63	7.50	20.20	46.63	24.75	.66	.06	.93	3.83	2.66	.77 S	30.1	21.0	5.9	13.4	.60	1.3	11-01-85	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	28.00	23.75	27.63	3.75	15.71	32.50	12.13	.34	.98	3.29	43.78	.73	.36 S	67.9	15.0	17.4	31.0	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	11.13	10.13	10.88	.38	3.57	12.25	8.38	.16	.00	-1.58	15.74	.00	-.09 S	-47.4	NC	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	8.63	7.13	8.25	.00	.00	12.75	7.13	-.84	-.70	2.28	24.52	.61	-.04 S	-6.7	57.0	14.6	14.7	.20	2.4	09-09-85	151.1	22.1	3.4	2.52	1.60
Lilly Eli Co	LLY	94.75	89.50	94.00	4.00	4.44	94.75	60.75	.11	.13	2.66	-11.32	6.73	.48 S	7.4	9.0	15.8	13.4	3.20	3.4	11-08-85	3109.2	490.2	1.7	1.63	31.04
Lee Pharm	LPH	7.25	6.50	7.13	-.13	-1.72	9.63	2.13	.39	.32	.99	-48.69	.13	.62 N	NE	NC	6.2	19.8	.00	.0	00-00-00	8.1	.5	3.0	.20	1.73
Marion Labs	MKC	42.50	34.75	40.75	4.75	13.19	42.50	19.00	.40	1.91	4.51	10.84	.94	.39 Q	56.5	36.0	12.2	37.7	.28	.7	09-16-85	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	120.00	111.63	120.00	6.25	5.49	120.00	85.25	.11	1.01	.05	16.97	6.71	.71 N	10.9	6.0	13.8	16.6	3.20	2.7	08-30-85	3559.7	493.0	2.0	2.48	35.29
Morton Thiokol	MTI	33.75	32.00	32.75	.13	.38	38.00	25.25	-.09	.07	-.63	9.84	2.50	.29 Q	12.8	21.0	6.7	12.8	.70	2.1	11-18-85	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	16.38	14.88	15.38	.50	3.36	26.00	11.38	.06	-1.72	-4.71	-16.38	.52	.38 S	115.2	64.0	23.3	21.7	.05	.3	02-19-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	12.13	10.50	11.88	.00	.00	13.75	5.38	.72	2.67	-3.99	6.31	.05	.15 Q	NE	NC	6.7	NE	.80	6.7	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	17.25	14.50	17.13	1.13	7.03	23.25	8.50	-.21	.52	.07	30.94	.47	.09 N	22.0	NC	16.5	34.3	.00	.0	00-00-00	17.0	2.8	3.3	.00	1.84
Pfizer Inc	PFE	47.63	44.50	47.13	2.63	5.90	53.75	37.63	-.31	.96	-.54	-8.72	3.08	.37 N	12.3	15.0	13.2	13.9	1.48	3.1	07-26-85	3854.5	507.9	2.3	2.10	15.45
Reid Prov Labs	REID	5.13	4.13	5.13	.75	17.14	6.63	2.88	.21	1.81	-1.32	-17.25	.13	.00 F	.0	28.0	6.0	39.4	.04	.8	12-10-84	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	12.00	9.13	11.13	2.00	21.92	24.38	5.50	1.68	1.41	4.74	-12.93	-18.44	-20.13 S	-100.0	NC	-73.0	NE	.00	.0	11-19-84	631.9	-461.6	1.7	.47	-5.23
Rorer Group	ROR	42.88	38.50	40.50	-2.00	-4.71	47.00	24.00	-.36	-.07	-4.39	-44.08	2.08	-.04 N	-1.9	4.0	8.5	19.9	1.12	2.8	08-05-85	522.1	44.3	1.9	2.18	11.07
Scherer RP Co	SCHC	12.75	11.88	12.50	-.13	-.99	13.50	8.75	-.19	.39	-1.52	-12.96	-.43	-.96 Q	-100.0	NC	-2.0	NE	.32	2.6	09-11-85	167.4	-3.4	1.7	4.07	9.72
Squibb Corp	SQB	72.63	68.25	71.13	.75	1.07	72.88	49.75	-.03	.67	2.80	24.48	3.68	.46 N	12.9	21.0	10.5	17.6	1.76	2.5	08-12-85	1886.0	197.2	2.3	3.74	24.87
Sterling Drug	STY	36.13	34.13	35.25	.50	1.44	37.13	26.25	.14	-.08	-.81	-23.99	2.37	.13 N	5.6	4.0	7.8	14.3	1.20	3.4	08-08-85	1827.3	143.4	2.6	1.32	15.34
Syntex Corp	SYN	73.25	66.25	72.75	6.00	8.99	73.25	45.25	.24	1.59	-1.63	7.84	4.65	.57 F	14.0	16.0	15.8	15.6	2.40	3.3	11-12-85	948.5	150.0	2.1	5.36	18.81
Thompson Med	TM	15.00	14.63	14.75	-.13	-.84	18.38	13.25	-.34	-.15	3.95	-58.36	2.20	-1.04 N	-46.0	15.0	10.8	12.1	.40	2.7	09-24-85	197.2	21.2	4.3	.00	7.09
Upjohn Co	UPJ	124.75	116.13	123.25	4.50	3.79	124.75	63.75	.31	.09	-1.18	-6.81	5.67	.39 N	6.9	1.0	8.0	20.3	2.80	2.3	09-27-85	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	38.75	35.50	37.50	1.00	2.74	46.50	31.88	-.20	.68	.72	-15.91	2.81	.28 S	10.4	6.0	7.1	12.6	1.48	3.9	08-05-85	3166.7	223.9	1.7	6.47	18.18
Zenith Labs	ZENI	24.00	20.00	24.00	3.75	18.52	29.50	5.50	.88	.11	-.43	-28.21	.28	.97 N	510.5	89.0	7.7	20.7	.00	.0	06-19-85	37.5	2.9	2.6	.27	1.99

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:
NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219



The study showed that most pains decrease with age, and the younger people are, the more likely they are to suffer from pain. The only exception concerns joint pains.

Study reveals how Americans cope with pain

NEW YORK — "Most Americans live with pain on an ongoing basis, and large numbers do so day in and day out."

So says famed pollster Louis Harris on the completion of the first nationwide study on the prevalence of pain and how Americans cope with it.

According to the study, headaches are the most common type of pain, with 73% of the American public reporting having suffered from one or more in the past year.

Other common sources of pain include backaches (56%), joint pains (51%), stomach pain (46%) and 40% of women have experienced menstrual pains. The least common pain is dental, with only 27% of those surveyed saying they've suffered from it in the past 12 months.

But according to Harris, percentages sometimes are not as dramatic as actual figures.

"When the percentages are translated into number of people, the figures become more realistic," said Harris. "Of those who suffer dental pain, 27% translates to 47 million Americans who have been afflicted; 37 million women suffer menstrual pain; 80 million adults suffer from stomach pains; 89 million from joint pains; 92 million from muscle pain; 97 million from backaches, and 127 million suffer pain as a result of headaches. This is a lot of pain by any measure."

The study also examined the way individuals treat their pain. It revealed that most people (88%) seek professional advice or treatment when they experience more than just occasional pain.

Nearly 3 out of 5 sufferers consult medical doctors, 18% chiropractors, 12% pharmacists and 3% consult pain specialists.

"Among the more acute pain sufferers who saw a doctor, 4 in 10 said the doctor recommended prescription drugs while 2 in 10 said their doctor recommended OTC drugs," said Harris.

To Harris' surprise, the study revealed that young people are more likely to experience pain than older people, particularly from headaches, backaches, muscle, stomach and menstrual pains and dental pain. The only exception was joint pain.

"We found that for those who experience more than occasional pain, the experience can severely upset daily routines, causing lost work days, interrupted sleep and even incapacitation," said Harris.

The report revealed a strong correlation between stress and pain, as well.

"We found that people under great stress tend to suffer from each type of pain more frequently than others," said Harris.

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Rx/OTC news

PHARMACY

Generic substitution shows marked increase

Analysis of prescription activity

	Chain	Indep.	Total
Prescriptions as % of avg. store sales	38.3%	64.2%	47.3%
Avg. no. of scripts per day	137	110	127
New scripts	73	58	67
Refills	64	52	60
% of scripts written . . .			
Brand only	33.8%	30.1%	32.6%
Substitution O.K.	45.2	46.6	45.7
Generically	21.1	23.3	21.8
% of substitutions	64.6	61.5	63.6

Source: Lebhar-Friedman Research

NEW YORK — Generic manufacturers made their strongest inroads yet into the pharmaceutical marketplace in 1985 with a greater than 20% increase in the number of pharmacists substituting generics for branded drugs.

According to a nationwide pharmacy study on substitution practices conducted by Lebhar-Friedman Research and *Drug Store News*, nearly two-thirds (63.3%) of the pharmacists polled said they substituted a generic drug over a brand. This is compared to 51.5% last year.

The study also showed a dramatic rise in the number of independents substituting.

One-third more independents substituted generics for branded drugs in 1985 whenever the law permitted. According to the survey, 61.5% of the independent pharmacists said they substituted a generic for a branded drug, compared to 46.3% last year.

Among the chains, 64.5% of the pharmacists said they substituted, compared to 53.5% last year for a growth of 22%—close to the national average for both groups.

Factors driving the increase included the greater number of prescriptions giving permission to substitute, third-party cost-cutting incentives encouraging generic substitution and the increase in consumer awareness of generics.

The reasons pharmacists gave for substituting were largely the same for independents and chains. Both groups said cost-savings to the customer was their No. 1 reason. Second in importance was making sure the substituted drug was therapeutically equivalent to the branded drug.

While the chains felt that requests from patients for generics was the third most important reason for substituting, the independents said it was the prospect of improved profits. The independents placed a patient's request for a generic as the fourth most important reason to substitute, while the chain pharmacists reported that company policy was fourth. None of the independents

Continued on page 47

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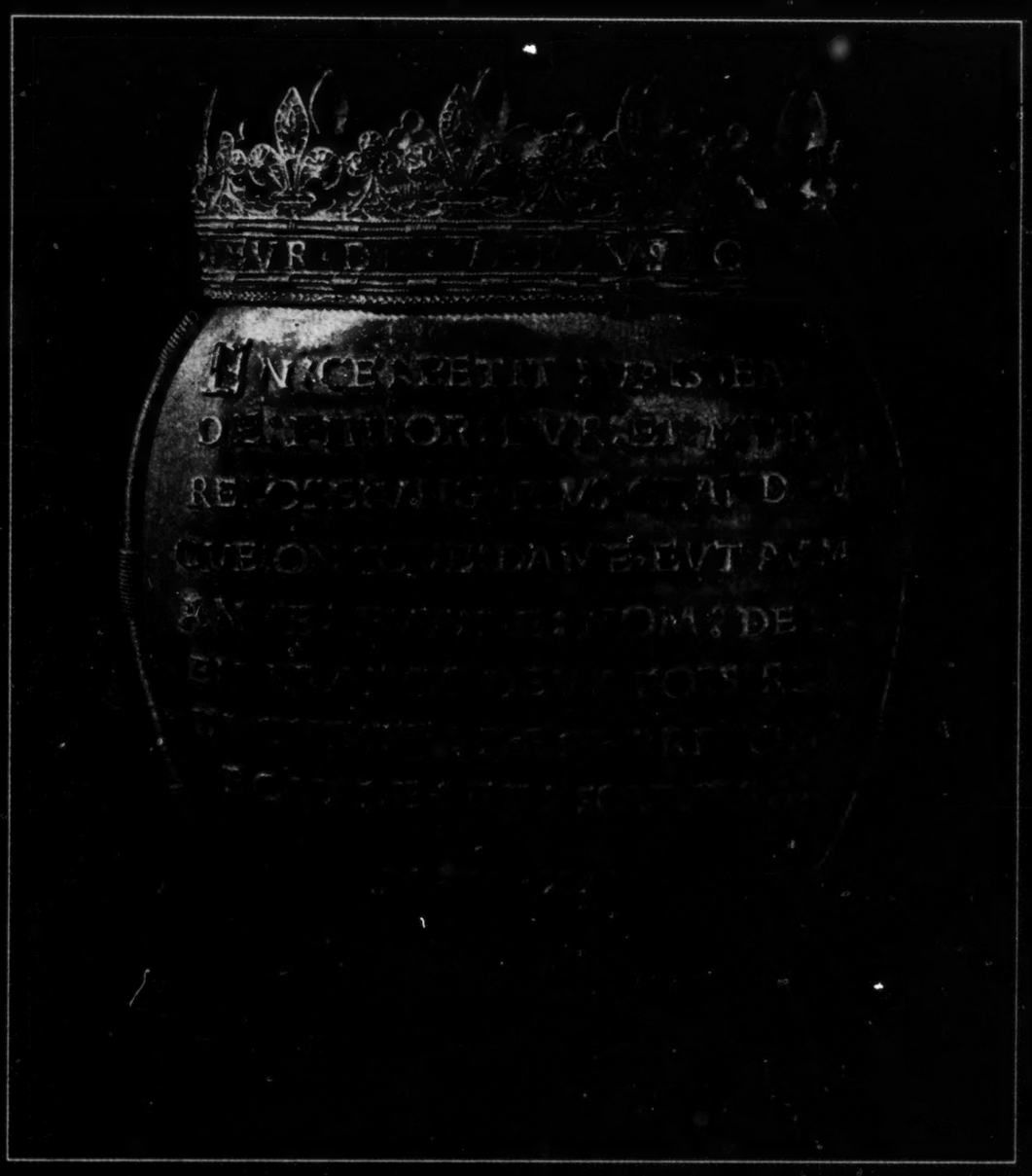

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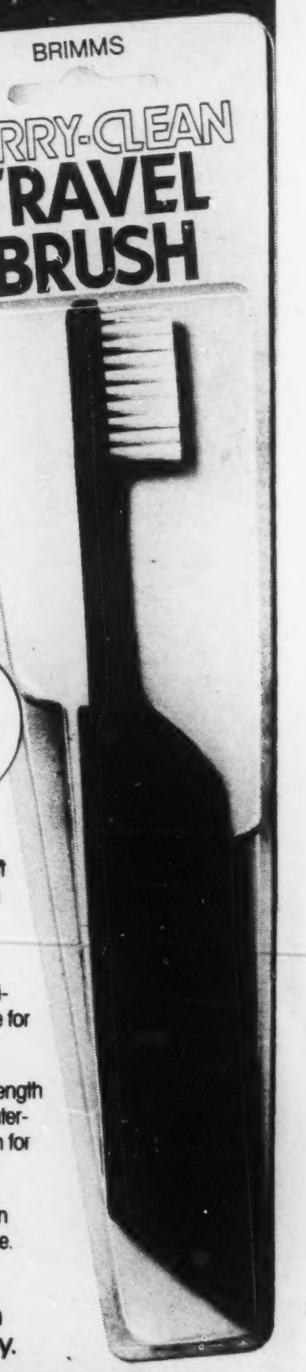

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PHARMACY

Rx substitution

Continued from page 38
gave "company policy" as a reason for substituting.

All the pharmacists said generics have gained a strong foothold in the minds of the consumer. The majority (82%) said that consumer reaction to generics was positive, while 15% thought the consumer was neutral or uninformed about generics. Only 1% felt consumers were negative about getting prescriptions filled with a generic drug.

Nearly two-thirds (65%) of the pharmacists felt that consumers today are asking more questions about generic drugs than ever before, and almost half (49%) felt that the advantages of lower price points and better margins for generics more than offset the disadvantages.

Virtually all the pharmacists (92%) projected optimism on the growth of prescriptions that would be filled generically.

Overall, the pharmacists did not consider price constraints established by state substitution formularies an obstacle in finding generics.

Less than 3 in 10 pharmacists encountered some difficulty in finding acceptable generics due to imposed price constraints, and only about 6% said they found that the constraints made it "extremely or very difficult" to find acceptable generics.

Editor's note: This study is based on a survey of 381 chain drug store pharmacists and 197 pharmacists working in independent stores.

Rxer's reasons for drug substitution

Customer savings	40%
Therapeutic equivalent	22
Patient request	11
Improve profit	9
Company policy	3
State laws	2
Rebates/incentives	2

Source: Lebhar-Friedman Research

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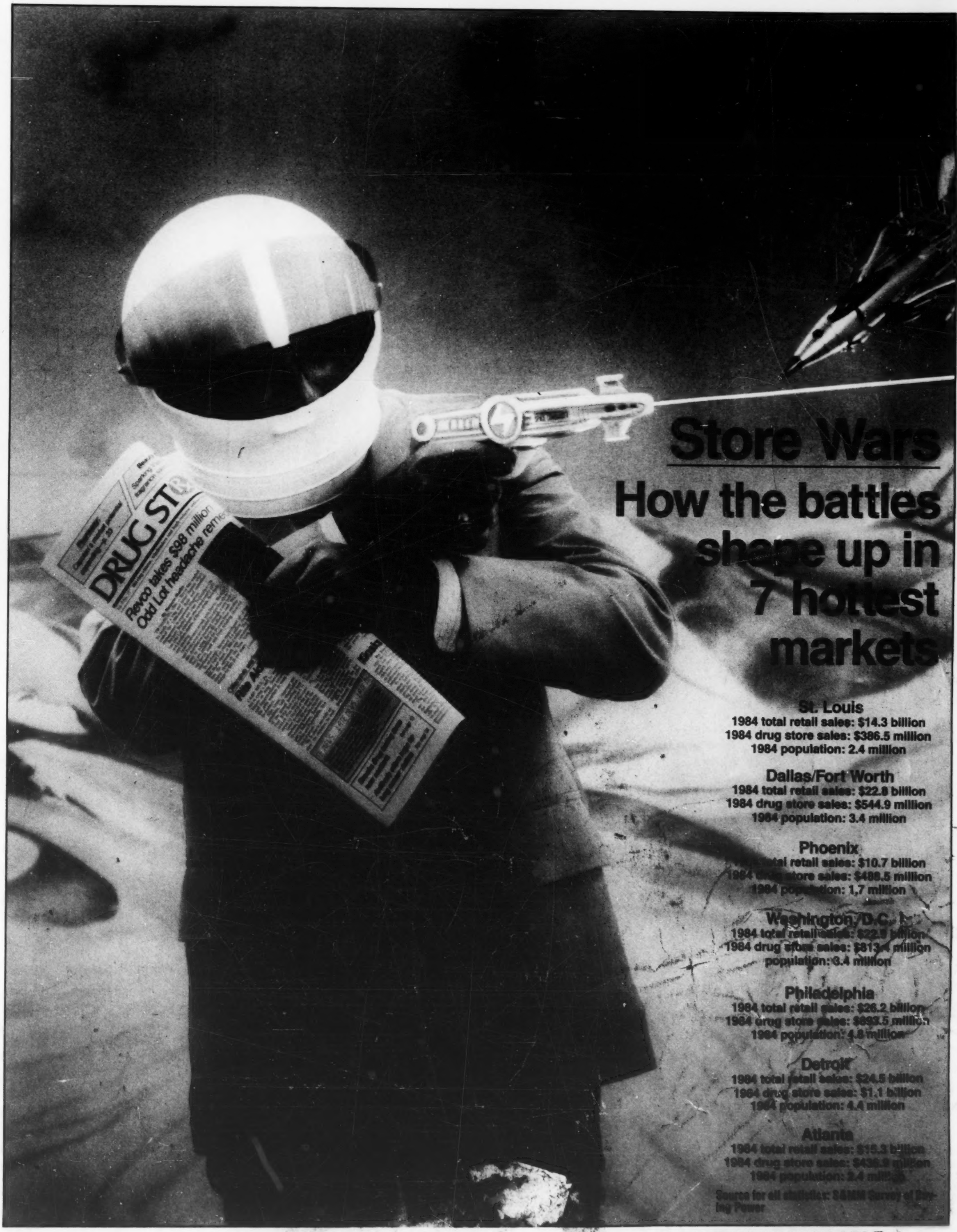

Store Wars

How the battles shape up in 7 hottest markets

St. Louis
1984 total retail sales: $14.3 billion
1984 drug store sales: $386.5 million
1984 population: 2.4 million

Dallas/Fort Worth
1984 total retail sales: $22.8 billion
1984 drug store sales: $544.9 million
1984 population: 3.4 million

Phoenix
1984 total retail sales: $10.7 billion
1984 drug store sales: $488.5 million
1984 population: 1.7 million

Washington, D.C.
1984 total retail sales: $22.9 billion
1984 drug store sales: $813.4 million
population: 3.4 million

Philadelphia
1984 total retail sales: $26.2 billion
1984 drug store sales: $893.5 million
1984 population: 4.8 million

Detroit
1984 total retail sales: $24.5 billion
1984 drug store sales: $1.1 billion
1984 population: 4.4 million

Atlanta
1984 total retail sales: $15.3 billion
1984 drug store sales: $436.9 million
1984 population: 2.4 million

Source for all statistics: S&MM Survey of Buying Power

BEST COPY AVAILABLE

FBI targets Bindley for drug diversion check

WASHINGTON — Justice Department drug diversion investigators are focusing in on the Indianapolis market where a federal grand jury has subpoenaed documents from Bindley-Western as part of the FBI's broadening crackdown on the distribution of mislabeled and fraudulently obtained pharmaceuticals.

Justice officials confirmed the existence of the Indiana investigation—an offshoot of last summer's FBI drug diversion "sting" in Atlanta—after Bindley Western announced that "a search warrant was executed by federal agents at the company's headquarters in Indianapolis."

According to officials at the Indiana-based wholesale drug firm, the targets of the new Hoosier grand jury investigation "apparently" are Bindley-Western board chairman William E. Bindley and David D. Swaim, the company's vp-treasurer.

Two former Bindley-Western top execs, executive vp Jack E. Laughner and purchasing vp Stephen Asher, have already pleaded guilty to various diversion-related criminal activities uncovered during the Atlanta probe.

Asher, 37, has been sentenced to three years in prison for his part in the alleged conspiracy to fraudulently purchase drugs at institutional discount prices, while a third Bindley-Western official, Atlanta sales manager Harry M. Nail, 39, was fined $1,000 and placed on probation for five years following his guilty plea for selling adulterated and misbranded pharmaceuticals.

Laughner, who was still awaiting sentencing at press-time, faces a maximum of 10 years in prison plus $2,000 in federal fines after pleading guilty to two counts of mail and wire fraud.

A fourth Bindley-Western official, Atlanta-based vp/gm Michael W. Gemmill, faces maximum penalties of eight years in prison plus $11,000 in fines for allegedly engaging in mail fraud and selling adulterated and misbranded drugs.

Although federal authorities refused to comment on the scope of the newly disclosed Indianapolis grand jury investigation, officials at the wholesale drug firm said that both "the company and the individuals [Bindley and Swaim] are cooperating in the investigation."

Significantly, there are strong indications that the Indiana investigation is only one of a number of similar federal drug diversion probes stemming from the widely publicized Atlanta "Pharmoney" sting operation which surfaced earlier this year.

During testimony before Rep. John Dingell's House Investigations subcommittee this fall, both federal and Georgia-state agents involved in that Atlanta operation disclosed that the Rx diversion probe had spread to other (unnamed) locations both in the United States and abroad.

So far, the original Atlanta investigation has resulted in federal criminal charges

Continued on page 66

NEWS IN BRIEF

House committee approves TJTC bill

WASHINGTON — House tax "reformers" approved a two-year extension of the Targeted Jobs Tax Credit Program, but at the same time scaled back the wage subsidies available to drug chains and other employers under TJTC.

The program, which has enabled a number of major chains to reap six-figure tax breaks for hiring disadvantaged individuals, is scheduled to expire at the end of this year unless Congress acts to preserve it.

The House vote, part of the Ways and Means Committee's intensive effort to complete action on the administration's tax "reform" legislation, is only the first step in a complex process to extend the tax credit program.

Since no final tax reform legislation will come to a final vote in Congress before TJTC expires on Dec. 31, a special "extension bill" will have to be approved this month to preserve government programs due to expire at the end of 1985.

Vykukal elected NWDA chairman

LOS ANGELES — Gene Vykukal, vice chairman and ceo of Southwestern Drug, was elected chairman of the board of the National Wholesale Drug Association. Vykukal, a pharmacist, succeeds Lawrence DuBow, president of Lawrence Pharmaceuticals Inc., also a pharmacist.

DuBow was elected chairman of the executive committee; Joseph B. Church, president of Alco Health Services, was elected chairman elect; David E. Mitiguy, president and treasurer of Burlington Drug, was elected first vice chairman; and Barry M. Krelitz, president of Twin City Wholesale Drugs, was elected second vice chairman.

Named for three year terms on the NWDA board were: Paul Rego, regional vp of McKesson Drug; Frank Smith, president of Dr. T. C. Smith; Phillip Solomons, president and chairman of Solomons Co.; and Wayne Specht, president of LAD Drugs.

Cardinal's earnings rise 56% in quarter

DUBLIN, Ohio — Cardinal Distribution recorded a 56% increase in net earnings to $1.2 million, or 29¢ a share, for the second quarter ended Sept. 28.

Net sales for the period increased to $102.8 million from $65.7 million in the same quarter last year.

For the first half, net earnings were $2.2 million, or 55¢ a share, a 60% increase over the $1.4 million, or 43¢ a share, reported in the comparable period a year ago.

Sales for the six months were $203.3 million vs. $125.9 million in the prior year.

Robert D. Walter, chairman and ceo, said the improvement was the result of a "solid performance" in the food segment and continued sales growth in drug distribution operations.

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Vol. 7, No. 26

December 9, 1985

Household Merchandising opens drug/liquor combo

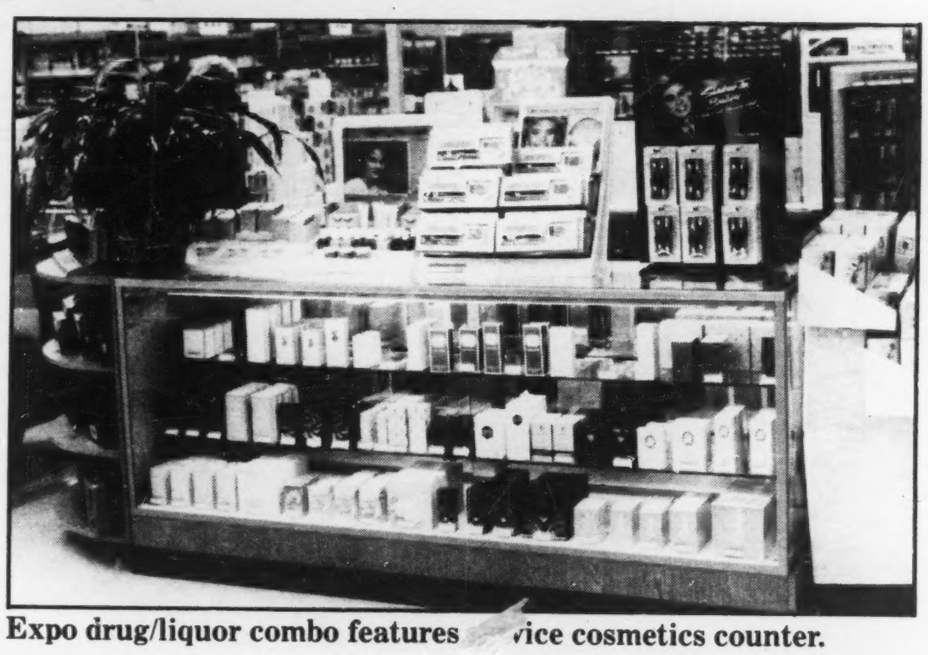
GARDEN GROVE, Calif. — Household Merchandising opened an experimental drug/liquor combination store here, the first of its kind in the West.

The new 23,000-sq.-ft. store, called Expo, is the second combo unveiled by a Household Merchandising unit in less than a month.

The first, a 75,000-sq.-ft. food/drug unit called Vons Pavilions (*Drug Store News*, Nov. 25), is less than a mile away from the experimental Expo store.

There is a vast difference between the two concepts. Vons Pavilions is the food chain's new combo prototype, replacing the 36,000- to 40,000-sq.-ft. Value Centers, while Expo, which splits drug-liquor space 50-50, is strictly a test.

According to Ron Scott, general manager of Expo, there are also differences between the drug part of Expo



Expo drug/liquor combo features vice cosmetics counter.

(70% of the sales are in drug store merchandise) and other deep-discount drug stores.

"Outside of Woolworth's Rx Place in Philadelphia, we are the only discount drug store with 100% scanning," Scott told *Drug Store News*. "In addition, we use our competitors' prices as our discount base instead of the suggested retail. That means we work on lower grosses." That would put Expo's average gross margin below 18%. Scott would not specify a figure.

Two other differences: more case stocking of H&BA ("85% compared to less than

Continued on page 66

Drug stores expect holiday gains

NEW YORK — Despite the pessimism of a few retailers and a cautious projection for the Christmas season by Wheat, First Securities, many drug stores all over the country are gearing up to do 15% to 25% growth over last year's season.

"I don't see any reason to back off," said Vincent Bruno, vp of buying and advertising at Big B. "If the retail stores back off it will make a light Christmas. We're going after it. We're going to push. If you don't have it you can't sell it. We're going to have the merchandise."

Wheat, First Securities predicted a sales gain of 5% to 6% over last year.

Some buyers were concerned about the economy and about the fact that there are six fewer days between Thanksgiving and Christmas. But many are just pushing harder.

Don Gross, vp of marketing and distribution at Genovese, said that circulars went out a little earlier this year. Drug King in Van Nuys, Calif., took out a 24-page ad on Nov. 4 and plans two tabloids. Adams Drug is doing four major circulars this year, one more than last year. Harris Drug in Charleston is planning some spectacular promotions including a Santa delivered by fire truck to its 10 stores and a contest to guess how long it will take a 1,000 lb., multicolored block of ice to melt.

Harris Cohen, owner of Harris Drug, saw the six-day loss as a challenge rather than an obstacle. "The only answer to it is you promote, you promote.

Reports from the users of Christmas catalog put out by Justen Products are that merchandise is already moving. Justen, an importing firm owned by the owners of Division Sales, sends its catalog to the customers of 41 chains. While only four of the chains have had the catalog mailed so far, the Justen merchandise has been in the stores since Oct. 1. Drug King, Harris Drug and several independents in Tennessee said that many of the gift items are already low.

Most of the retailers said they expect such fragrances as Charlie, Enjoli and English Leather to move well, as well as personal appliances, especially hair dryers. Mark Varnau of Hook Drugs said electronic items are moving fast. They also expect popular priced toys to move. Some retailers said that there were no blockbuster toys out this year. Genovese's Gross said that Cabbage Patch dolls and the game Trivial Pursuit, while still good sellers, are "not runaway" items. Many of the executives mentioned GoBots/Robots as probable sellers and Gross called Pound Puppies "gang-busters."

FINANCIAL

Alco revenues on the increase

VALLEY FORGE, Pa. — Alco Health Services, the nation's fourth largest drug wholesaler, reported that for the fiscal year ended Sept. 30 revenues increased 25% to $955.4 million from $766.7 million over.

Revenues for the quarter ended Sept. 30 rose 30% to $257.6 million from $212.05 million.

The drug wholesaler became a new corporation this summer through a $70 million public offering and is now a separate entity for its former parent, Alco Standard, which retains a 60% interest in the company.

For Alco Standard Corp., a diversified company with operations in a number of manufacturing and distribution enterprises, revenues for the fiscal year increased 13% to $3.8 billion from $3.4 billion and income rose 15% to $74.78 million from $64.8 million. Primary earnings per share from continuing operations rose 18% to $3.38 from $2.87 over last year.

The income and earnings per share results reflect, in part, the revenue earned from the sale of 4,700,000 shares of Alco Health Services Corp. common stock.

Med Shoppe posts gains

ST. LOUIS — Medicine Shoppe International, the nation's largest franchised pharmacy chain, announced that net earnings for the fiscal year ended Sept. 30 increased 32% to $2.96 million from $2.24 million last year.

Revenues for the year were up 23% to $13.89 million from $11.31 million a year ago.

Medicine Shoppe also achieved record sales of 147 new franchises for fiscal 1985, up from the gain of 103 a year earlier. The company also announced that it had a record backlog of 169 signed franchise agreements, a 44% increase in the number of signed agreements over last year.

Big B's sales rise in 3rd

BIRMINGHAM, Ala. — Big B's sales for the third quarter ended Sept. 30 rose 24% to $38.5 million from $31.1 million over the same period last year. Net earnings for the quarter increased 22% to $668,000 from $546,000.

Nine month sales for fiscal 1985 increased 21% to $121.8 million from $100.3 million. Net earnings rose 11% to $2.89 million, or 44¢ a share, from $2.61 million, or 40¢ a share in the corresponding 1984 period.

Big B was spun off from Bruno's in 1981, and the chain currently operates 114 stores including 106 Big B Discount Drug Stores, three Home Health Care Centers and five B-Mart food/drug combos.

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 11/01/85 - 11/18/85							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)	
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	68.25	63.38	65.00	1.38	2.16	68.25	35.38	.21	-.94	-.88	23.87	5.71	1.67 S	42.0	34.0	1.5	11.5	.64	1.0	09-16-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	16.50	16.00	16.00	.00	.00	17.63	15.00	-.25	-.30	-5.81	-75.00	1.26	-.07 Q	-5.0	3.0	1.1	12.1	.72	4.5	07-15-85	66.1	.7	1.7	13.77	18.84
Big B	BIGB	14.50	14.00	14.00	.00	.00	19.50	10.63	-.44	-.91	.76	9.61	.68	.11 N	18.0	19.0	3.0	19.4	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	4.38	4.13	4.38	.13	2.94	6.13	3.38	-.31	.86	-.96	-1.72	.35	-.12 Q	-24.0	NC	1.2	11.5	.60	13.7	05-09-85	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	30.25	28.88	30.13	1.25	4.33	32.88	20.00	-.21	.28	-5.71	27.03	-.22	-2.49 F	-100.0	NC	-.3	NE	1.04	3.5	09-09-85	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	8.75	8.00	8.25	-.25	-2.94	13.00	8.00	-.53	-.41	5.63	4.63	.62	-.22 S	-33.3	33.0	2.4	18.8	.20	2.4	09-23-85	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	12.25	10.00	12.00	1.88	18.52	15.88	9.13	.06	4.01	3.30	-1.41	1.03	.07 S	6.8	40.0	1.9	10.9	.20	1.7	09-24-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	28.38	26.63	27.38	-.75	-2.67	31.13	21.38	-.04	-.65	-4.93	4.00	1.88	.14 S	7.8	9.0	2.9	14.2	.72	2.6	08-27-85	1375.8	40.1	2.1	.00	12.23
Medicare Glaser	MGCO	5.00	4.50	5.00	.50	11.11	6.25	3.50	-.20	3.02	2.70	-1.96	.05	-.38 *	-88.4	NC	.2	NM	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Perry Drug	PDS	18.38	16.75	18.13	1.38	8.21	18.38	10.75	.55	.38	-2.57	3.82	.84	.09 N	11.0	14.0	2.1	19.9	.19	1.0	09-11-85	370.3	7.6	1.5	1.60	7.07
Revco Drug	RDS	27.63	26.25	26.88	-.38	-1.38	29.50	22.50	-.20	-.19	-3.94	7.94	1.06	-1.61 Q	-63.9	-1.0	1.6	29.5	.80	3.0	08-19-85	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	25.00	22.63	24.00	1.25	5.49	33.50	21.50	.02	-1.01	-1.72	-14.16	1.69	.13 S	8.2	9.0	4.8	14.0	.50	2.1	10-07-85	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	24.13	22.00	23.63	.13	.53	24.50	18.13	.76	.13	.73	-25.28	1.40	.24 N	18.2	15.0	2.1	15.1	.60	2.5	05-06-85	1299.3	27.9	1.5	4.46	7.72
Walgreen Co	WAG	28.00	24.25	27.88	2.50	9.85	30.25	20.50	.29	.26	-1.31	29.22	1.53	.14 F	10.1	21.0	3.0	18.2	.50	1.8	11-05-85	3161.9	94.2	1.7	.87	6.76
Wholesaler's transactions																										
Bergen Bruns	BBCA	30.38	29.00	30.25	.63	2.11	32.38	20.50	.31	.20	2.61	35.70	1.91	.34 F	21.7	16.0	1.0	15.8	.32	1.1	10-28-85	2434.9	24.2	1.7	11.68	12.68
Bindley Wstn	BIND	10.25	7.75	8.50	-1.50	-15.00	15.00	7.75	-1.03	1.22	5.44	-44.15	.73	.15 N	23.4	23.0	.8	10.8	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	17.50	16.50	17.50	1.00	6.06	18.50	10.91	-.06	.00	9.81	36.12	1.01	.21 S	23.1	NC	1.2	15.6	.08	.5	10-08-85	320.0	3.7	1.7	.94	8.85
Durr Fillauer	DUFM	11.00	9.25	11.00	1.13	11.39	15.25	9.25	-.37	.98	3.16	-45.22	.74	.07 N	9.9	14.0	1.7	14.1	.14	1.3	07-01-85	341.7	5.8	2.3	1.21	6.05
Foxmeyer Cp	FXM	25.50	22.00	24.38	2.00	8.94	29.75	21.00	-.08	-1.36	-.31	-37.33	1.56	.02 S	1.3	26.0	1.3	15.5	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51
Ketchum	KCH	20.25	18.13	18.13	-1.00	-5.23	22.97	13.47	-.19	-2.04	-4.24	15.28	.56	-.03 Q	-4.9	NC	.2	31.3	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	51.38	47.75	50.63	2.63	5.47	51.38	37.00	.04	.02	1.64	1.95	3.60	.02 S	.5	-1.0	1.3	13.5	2.40	4.7	11-25-85	4887.1	65.0	1.5	12.99	30.40
Moore Med	MMD	21.00	20.25	20.38	-.63	-2.98	22.50	8.81	.33	.02	-5.16	5.42	1.02	.45 N	47.4	18.0	2.9	14.6	.00	.0	05-23-85	115.4	3.3	3.3	2.45	5.25
Owens & Minor	OBOD	14.75	14.00	14.75	.75	5.36	16.63	8.00	-.69	.58	-5.19	40.80	.95	.23 N	26.1	16.0	1.2	13.3	.28	1.9	09-10-85	306.7	3.6	3.0	5.35	8.54
Manufacturer's transactions																										
Abbott Labs	ABT	62.00	58.25	61.75	2.63	4.44	62.00	38.63	.17	.17	-.07	-11.79	3.34	.52 N	16.3	17.0	13.0	16.6	1.40	2.3	10-08-85	3104.0	402.6	1.9	3.91	13.33
Am Home Prod	AHP	60.38	57.25	59.63	1.25	2.14	66.88	49.88	-.02	-.28	-1.06	2.46	4.39	.26 N	6.0	11.0	15.1	13.0	2.90	4.9	11-06-85	4485.5	675.6	3.4	.26	13.74
Baxter Travenol	BAX	14.50	12.63	14.13	1.25	9.71	16.88	11.75	-.25	2.28	6.36	-6.45	.21	-1.06 N	-82.8	-25.0	1.6	64.2	.37	2.6	09-09-85	1800.4	29.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	46.00	42.50	46.00	3.50	8.24	46.00	28.16	.34	1.01	3.21	28.79	3.48	.40 S	12.1	12.0	10.5	12.4	1.00	2.2	08-27-85	247.8	25.9	2.4	3.28	22.47
Bolar Pharm	BLR	16.75	14.13	16.25	1.38	9.24	22.63	11.25	.35	-.72	2.42	-14.06	.61	.13 S	22.8	23.0	18.2	23.2	.03	.2	08-06-85	29.1	5.3	7.5	.00	3.70
Bristol-Myers	BMY	64.63	57.88	62.50	4.63	7.99	66.50	47.25	.15	-.19	.67	-17.15	3.45	.42 N	12.5	14.0	11.3	16.6	1.88	3.0	09-30-85	4189.4	472.4	2.5	.75	15.63
Carter-Wallace	CAR	46.88	44.50	46.25	1.50	3.35	46.88	24.75	.47	.04	-.11	-33.69	2.66	.77 S	30.1	21.0	5.9	13.9	.60	1.3	11-01-85	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	29.25	26.88	28.75	1.25	4.55	32.50	12.50	.49	1.36	2.92	3.61	.73	.36 S	67.9	15.0	17.4	32.3	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	11.38	10.50	10.75	-.13	-1.15	12.25	8.38	-.06	-.91	-.26	-9.16	.00	-.09 S	-47.4	NC	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	9.88	7.63	9.50	1.75	22.58	12.75	7.13	-.17	.29	4.32	20.27	.61	-.04 S	-6.7	57.0	14.6	17.0	.20	2.1	09-09-85	151.1	22.1	3.4	2.52	1.60
Lilly Eli Co	LLY	100.25	93.63	98.88	4.13	4.35	100.25	61.50	.17	-.34	-.25	-3.72	6.73	.48 S	7.4	9.0	15.8	14.1	3.20	3.2	11-08-85	3109.2	490.2	1.7	1.63	31.04
Lee Pharm	LPH	7.13	6.63	6.88	-.25	-3.51	9.63	2.13	-.29	.05	-5.54	48.57	.13	.62 N	NE	NC	6.2	19.1	.00	.0	00-00-00	8.1	.5	3.0	.20	1.73
Marion Labs	MKC	45.25	40.00	43.25	2.25	5.49	45.25	19.00	.80	-.93	1.01	-11.54	.94	.39 Q	56.5	36.0	12.2	40.0	.28	.6	09-16-85	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	123.38	117.13	121.63	4.00	3.40	123.38	87.75	.16	-.19	.08	11.87	6.71	.71 N	10.9	6.0	13.8	16.8	3.20	2.6	08-30-85	3559.7	493.0	2.0	2.48	35.29
Morton Thiokol	MTI	36.25	32.25	35.13	1.75	5.24	38.00	25.25	-.11	-.08	.41	-4.78	2.50	.29 Q	12.8	21.0	6.7	13.8	.70	2.0	11-18-85	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	17.25	15.25	17.00	1.25	7.94	26.00	11.38	.28	-.28	-3.08	-20.19	.52	.38 S	115.2	64.0	23.3	23.9	.05	.3	02-19-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	11.88	10.88	11.25	-.63	-5.26	13.75	5.38	-.14	.27	-3.05	2.57	.05	.15 Q	NE	NC	6.7	NE	.80	7.1	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	18.75	15.25	18.25	1.00	5.80	23.25	8.50	-.16	4.16	2.95	38.03	.47	.09 N	22.0	NC	16.5	36.5	.00	.0	00-00-00	17.0	2.8	3.3	.00	1.84
Pfizer Inc	PFE	50.50	47.00	50.25	3.00	6.35	53.75	37.63	.13	-.14	-1.30	1.01	3.08	.37 N	12.3	15.0	13.2	14.8	1.48	2.9	07-26-85	3854.5	507.9	2.3	2.10	15.45
Reid Prov Labs	REID	5.13	4.75	5.00	.00	.00	6.63	3.00	.63	.34	-3.67	24.53	.13	.00 F	.0	28.0	6.0	38.5	.04	.8	12-10-84	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	11.88	10.63	11.75	.63	5.62	24.38	5.50	1.16	.50	-2.01	5.79	-18.44	-18.79 N	-100.0	NC	-73.0	NE	.00	.0	11-19-84	631.9	-461.6	1.7	.47	-5.23
Rorer Group	ROR	41.25	37.00	37.13	-4.50	-10.81	47.00	24.00	-.70	-1.87	-4.55	38.21	2.08	-.04 N	-1.9	4.0	8.5	18.2	1.12	3.0	11-04-85	522.1	44.3	1.9	2.18	11.07
Scherer RP Co	SCHC	12.75	12.00	12.38	-.13	-1.00	13.50	8.75	-.38	-.78	-.76	-16.76	-.43	-.96 S	-100.0	NC	-2.0	NE	.32	2.6	09-11-85	167.4	-3.4	1.7	4.07	9.72
Squibb Corp	SQB	76.38	70.63	73.63	1.00	1.38	76.38	49.75	.03	-.47	1.15	-14.03	3.68	.46 N	12.9	21.0	10.5	18.3	1.76	2.4	08-12-85	1886.0	197.2	2.3	3.74	24.87
Sterling Drug	STY	36.63	34.38	34.75	-.63	-1.77	37.13	26.25	-.32	-.35	-2.73	2.42	2.37	.13 N	5.6	4.0	7.8	14.1	1.20	3.5	11-07-85	1827.3	143.4	2.6	1.32	15.34
Syntex Corp	SYN	74.38	71.00	71.75	-1.38	-1.88	74.38	46.25	.24	-.32	-1.37	13.60	4.65	.57 F	14.0	16.0	15.8	15.4	2.40	3.3	11-12-85	948.5	150.0	2.1	5.36	18.81
Thompson Med	TM	14.88	11.75	11.75	-3.13	-21.01	18.38	11.75	-.94	-1.97	-.22	10.67	2.20	-1.04 N	-46.0	15.0	10.8	9.6	.40	3.4	09-24-85	197.2	21.2	4.3	.00	7.09
Upjohn Co	UPJ	131.75	122.25	128.13	4.50	3.64	131.75	63.75	.23	-.21	-.82	-20.87	5.67	.39 N	6.9	1.0	8.0	21.1	2.80	2.2	09-27-85	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	41.00	37.13	39.38	2.00	5.35	46.50	32.50	.16	-.45	-4.42	-10.58	2.81	.27 N	9.7	7.0	7.1	13.0	1.56	4.0	11-04-85	3166.7	223.9	1.7	6.47	18.18
Zenith Labs	ZENI	27.50	23.50	25.00	1.25	5.26	29.50	5.50	1.01	-1.34	-.87	10.50	.28	.97 N	510.5	89.0	7.7	21.6	.00	.0	06-19-85	37.5	2.9	2.6	.27	1.99

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

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Store wars: 7 hottest markets

How battles shape up in 7 markets

DETROIT
1984 drug store sales: $1.1B
Key players: Perry, Revco, Arbor, Sentry, F&M
PHILADELPHIA
1984 drug store sales: $893.5M
Key players: Rite Aid, Thrift, CVS, Drug Emporium
WASHINGTON, D.C.
1984 drug store sales: $813.4M
Key players: Peoples, Gray Drug Fair, Dart, Revco, Rite Aid
ST. LOUIS
1984 drug store sales: $386.5M
Key players: Medicare-Glaser, Walgreens, SupeRx/Gasen, SupeRx/Drug World
PHOENIX
1984 drug store sales: $488.5M
Key players: Revco, Walgreens, SupeRx, Thrifty, Smitty's
ATLANTA
1984 drug store sales: $436.9M
Key players: Eckerd, Revco, Reed
DALLAS/FORT WORTH
1984 drug store sales: $544.9M
Key players: Revco, Eckerd, Skaggs, Page

Sources: S & MM Survey of Buying Power, A. C. Nielsen and *Drug Store News* surveys.

Growth-minded drug chains have no place to run, no place to hide.

Head-to-head confrontations are fiercer and more frequent, and are driving operators toward new competitive stances as they vie for bigger pieces of the nation's $44 billion retail drug trade.

In this special year-end Store Wars report, *Drug Store News* is focusing on seven key markets where growth is exciting, the fights most intense and strategies most creative.

From border to border and east to west, activities nationwide mirror those of the seven: Dallas, Atlanta, Detroit, Philadelphia, Phoenix, St. Louis and Washington, D.C. Chains growing here, often at the expense of independents, read like an industry Who's Who: American Stores, Walgreen, Jack Eckerd, Revco, Longs, Rite Aid and more.

They've whipped out their guns in no-holds-barred efforts to dominate these seven primary metropolitan areas. And the stakes are high: These markets accounted for $4.7 billion of retail drug volume in 1984, or about 11% of the industry total.

However, these metro areas account for the lion's share of industry growth in '85, and are expected to play a continuing prominent role in the expansion of drug sales through the rest of the decade.

How are traditional chains aiming to throw the deep discounter invasion off course? What can independents do to hinder chain growth on their home turf?

How will supermarket merchandising of health & beauty aids shape industry approaches in the next few years? What can any drug store operator do in the shadows of membership warehouse chains, should they decide to go after the H&BA business in a big way?

These are some of the issues uncovered by *Drug Store News'* reporters in this special section on some of the nation's fastest-growing retail drug markets. You, the reader, may or may not want to be in these metropolitan areas after digesting this coverage.

For instance, the encroachment on drug store trade in Philadelphia is coming from many directions: Pathmark and Acme supermarkets, Price Club and PACE membership warehouse chains. Then there are deep discounters and independents lobbying for legislation to put the brakes on chain penetration there.

In that market, Rite Aid has converted two stores into deep discount formats, Pathmark cut H&BA prices across the board and Thrift emphasizes low prescription prices. It's a whirlwind of positioning strategies.

In Dallas-Fort Worth, retailers burrowed in anticipating further population growth, which could spell doom for some if that growth doesn't materialize. The metroplex already has one of the highest ratios of retail space per person in the country, and is already heavy with combination stores.

Tom Thumb/Page, Eckerd and Albertson's are all expected to expand here in 1986, squeezing a market that's already uptight about the lack of pharmacists.

In Detroit, operators such as Revco, Arbor, Sentry and F&M might understandably wish they could strip Perry of some of its dominance in prime locations—a key to its market strength—and enjoy a similar rapport with shopping center developers.

Meanwhile, price pressures in Atlanta have set ablaze a costly advertising war, that has the *Atlanta Journal* delivering 30%-40% more preprints each year since 1983 for drug chains operating here.

The invasion of health maintenance organizations in Atlanta, such as Kaiser Permanente Medical Group, the nation's largest, also promises to make life more miserable for independents.

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Store wars: 7 hottest markets

Philly drug retailers face expansion hurdles

By Al Heller

PHILADELPHIA — Tourists may find the city of brotherly love inviting, but drug chains realize that the market's getting tougher to embrace.

Operators eying expansion here in the late 80's will face many competitive hurdles: encroachment by deep discounters, rising rents and the lack of available prime sites, heavy advertising expenditures and efforts by local independents to introduce legislation that would limit the number of pharmacies per set number of blocks.

Whether such legal efforts could stick is questionable, but such talk demonstrates the militance of independents, who appear determined to keep their share of the $894 million drug retail market.

The city is a patchwork of neighborhoods. Walk-ins are the lifeblood of the retail drug trade here, according to local managers. "The [Delaware] River that splits the city, and Philly's poor road system, keep people from traveling far to shop," said CVS senior vice president-marketing Gary Charboneau.

"But you don't mind much because of the population density," added Drug Emporium vice president-operations Gary Wilber.

Independents who owned this city's neighborhood trade until several years ago have seen Rite Aid, Thrift and CVS make significant inroads here (about 240 stores collectively) in the 80's and are aiming to slow chain growth on their home turf.

Besides the approximate 1,000 independent stores operating here, the traditional drug chains are being squeezed by newcomers Drug Emporium and Rx Place, who deep discount.

Drug store sales as a % of total retail sales

Source: S & MM, 1985

The entry by Drug Emporium, with 12 company-owned stores here in 1985, will grow to 20 by the end of next year, giving the chain ample presence to buy continuous television advertising and help set a low price tone for the market.

Rx Place, an F. W. Woolworth spinoff, is satisfied with performance of its first two stores and will expand here in 1986, said president Ken Colson. Advertising for "several months beyond grand openings" is also part of his strategy.

Pricing pressures in the market will intensify further when Price Club and PACE, two membership warehouse chains which generate about $50 million annually per unit, establish their presence here. Such clubs sell consumables and general merchandise—including health & beauty aids—mostly to small business owners for resale or office use.

They could have dramatic impact on drug retail operations here because their opportunistic buying methods are so similar to deep discount operators.

Warehouse clubs could escalate price wars in two ways: by supplying independents with some H&BA products at lower costs than now available from their wholesalers, giving the smaller local stores new merchandising punch; and by building their own strong price image with customers who qualify to shop their clubs because of where they're employed.

Price Club was set to open its first unit here by year's end, and PACE is targeting two sites in 1986.

The city has seen two highly visible reactions to the entry of deep discounters earlier in 1985. Rite Aid converted two traditional stores into Drug Palace deep discount formats. Pathmark, in a much publicized move, cut its H&BA prices across the board—although several market sources felt this would be a short-lived attempt to flush out the deep discounters.

Thrift had already adopted a low price prescription policy, touted on in-store signage, as one of its distinguishing points. Store observations also revealed Thrift's knack for displaying general merchandise in a high impulse manner: Christmas gift items were well in place before other chains had their displays set. At Thrift, seasonal merchandise took almost every mid-store endcap and prime browsing space by the pharmacy.

Rx Place was the only other drug chain to have Christmas displays on the floor in early November, but were virtually all candies and cheeses. Thrift had the clear early lead on chains here this season, selling blood pressure monitors, subcompact microwave ovens, personal care appliances, luggage and other gifts.

One of the converted Rite Aid stores, in northeast Philadelphia, didn't appear to be a match for the Drug Emporium one block away. It was far smaller, at about 8,000 sq. ft. compared to 23,000 sq. ft., and couldn't achieve the same inventory depth—even stacking in-line merchandise 7 ft. high.

The conversion was purely a defensive measure, said market sources, and probably doesn't reflect what Rite Aid can do with other deep discount layouts, as it has in New York. The store deviated from prevailing Rite Aid strategy to open deep discount stores in markets where it has few conventional drug stores.

The store's assortment relied heavily on traditional drug store departments and Rite Aid store brands—compared to other deep discounters which rely more on the appeal of brand names and general merchandise.

"The low prices of deep discounters scare chains which want people to think they're the lowest priced," said Pat Tancredi, president of Tancredi Apothecary, a three store independent here.

Having watched the influx of chains over the years, Tancredi added: "Chains come in. They price cheap and advertise cheap. Once they build up their customer base, they raise prices. That's why the chains are sweating over the deep discounters.

"Thank God people are more hep. We have customers who just wouldn't leave us," he said.

Drug retailing may be, but real estate isn't, according to Drug Emporium's Wilber. "Landlords aren't loyal in Philly as elsewhere. It's tougher to get a no-compete clause.

"Real estate's gotten much tighter here in the past year than when we first looked at the market," Wilber added. "Our penetration here is faster than anything we ever did."

He felt his format store could coexist with K mart and Clover discount department stores because H&BA is much less important to them, and Drug Emporium would benefit by traffic falloff.

He estimated that high volume deep discounters could eventually account for 25% of retail drug sales in the market, despite being greatly outstored.

Current estimates place Rite Aid and Thrift equal in city store counts, at about 55 apiece, but Rite Aid owns the suburbs with another 80 stores compared to Thrift's 15. The two chains account for nearly half the market's retail drug sales: Rite Aid, 25%, and Thrift, 20%.

CVS has 35 stores in the market, Eckerd about 10, Drug Emporium nine (to be 12 by year's end). There are also more than 30 K marts, 14 Clovers and 18 Jefferson Wards (soon to be Bradlees), plus about 20 Pathmarks among major retailers vying for drug customers.

Still, Rx Place's Colson is highly optimistic about prospects for his young chain's performance. He expects each store's first year sales of $350 per square foot of selling space to mature at a $600 pace in four to five years.

"Deep discounter business gets built by word of mouth, and it takes time for customers to learn the concept," he said.

"The prospect of getting a bargain excites people," Colson added. "They'll come to the store not knowing quite what bargain they'll find [because 90% of merchandise is bought on deal]. It's one of the appeals of flea markets. When the customer's impulse nature takes over, and she sees a constantly changing brand mix, that comes close to resolving the age old merchandising problem of how to create excitement in the aisles."

That may be a tough psychic matchup for traditional operators here to overcome: shopping as entertainment.

A Drug Emporium manager here, Earl Connell, said he sees many of his senior citizen customers walk in several times each week to buy a handful of items and browse.

Major drug chains in the Philly metro area

Chain	No. of stores
1. CVS	36
2. Rite Aid	159
3. Thrift	89
4. Eckerd	10
5. Merchandisers Inc.	14
6. Rea & Derick	11
7. Drug Emporium	9
8. Revco	7
9. Medic Fair	7
10. Medicine Shoppe	7

Source: A. C. Nielsen

Effective buying income in retail stores

Effective buying income	$55B
Effective buying income per household	$28,146
Total retail sales	$26.2B
Total retail sales per household	$15,097

Source: S & MM, 1985

Major retailers in the Philadelphia market

Major food chains	No. of stores	Major mass merchandisers	No. of stores
American	169	K mart	54
A&P	52	Jefferson Ward	18
Supermarkets General	32	Clover	17
Jewel	32	Jamesway	16
Wetterau	20	Lane	16
Genuardi's	20	Marshall's	8
Weis	17	Ames	6
SHS Enterprises	12	Nichols	5

Source: A. C. Nielsen

Demographic breakout

Population	4.8M
Households	1.7M
Effective buying income	$55B

Source: S & MM, 1985

Market Share

PHILADELPHIA — The nation's fourth largest retail market, at 4.77 million people, as a healthy roster of major drug chains vying for share.

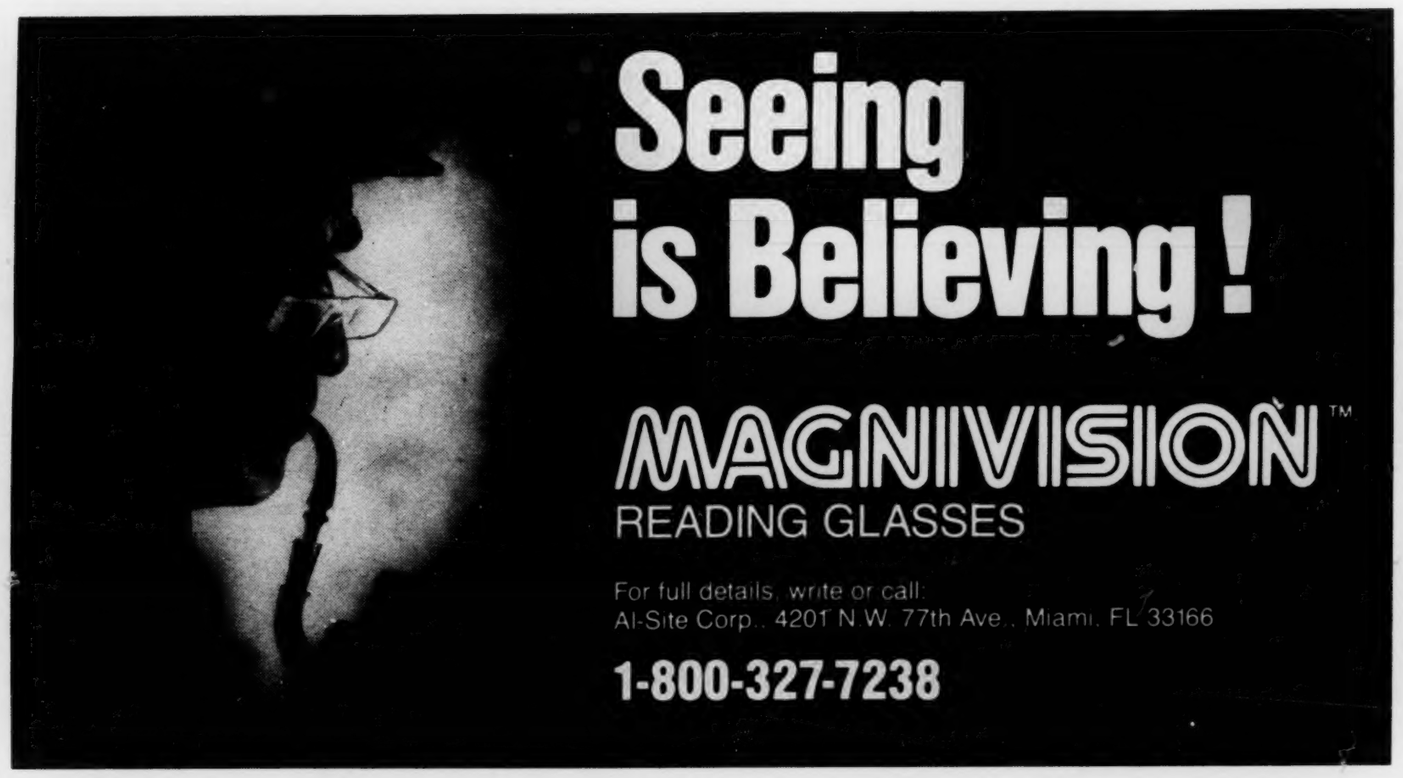
So far, Rite Aid's established the strongest hold, largely at the expense of independents, but it's gotten a lot of company lately.

Deep discounters and membership warehouse chains, who both have far more productive customers than traditional outlets, are moving in. Supermarkets are more aggressive at pricing and advertising health & beauty aids.

Strategies unveiled here in the next few years will make some chains winners and others losers. What are they fighting for?

Philadelphia is the nation's fifth leading retail drug market at $894 million, and produces the fourth largest amount of total retail sales, $26.2 billion in 1984.

The metro area's 1.73 million households have a median effective buying income (EBI) of $28,146. Total market EBI of $55 billion makes Philadelphia the fourth most attractive place on this count.



Store wars

Dallas retailers vie for segment of drug market

By Vicki Moss

DALLAS — A battle for market share is raging in the fast-growing Dallas-Fort Worth "metroplex" as combos and deep discounters proliferate and chains vie to maintain their edge.

Warring over prices and location, the giants open more and more stores. If the swelling population keeps pace, this modern-day range war could end in a draw with each kind of retailer staking a claim to its own segment of the diverse community. But for now, competition is fierce, with no letup in view.

The growth rate of retail stores here has been phenomenal. The area has one of the highest ratios of retail space per capita in the country, according to Dan Feuer, operations manager of Safeway's Drugs For Less, a deep discounter that operates in the market.

In Dallas-Fort Worth there is 29 sq. ft. of retail space per person, compared with 15 ft. nationally, he said. In Dallas alone, the figure is 35 sq. ft.

Pharmacies are contributing to this phenomenon. Eckerd has 80 stores; Revco 103; Safeway has 55 pharmacies in north Texas supermarkets and four deep-discount drug stores in the Dallas-Fort Worth area: Cullum Companies has 13 freestanding Page drug stores and 25 Tom Thumb Page combos, including one Simon David specialty store, to name just a few. One store executive called the area "overpharmacied" and predicted a shakeout if the population should slow.

But according to the Dallas Chamber of Commerce, people have been moving into this 8,360-square-mile area at the startling rate of 1,400 a week. A 1985 headcount by the North Central Texas Council Government showed the population at 3.38 million, compared with a 1980 U.S. census count of 2.9 million. A healthy 21% of these earns more than $25,000 a year, according to a report by A. C. Nielsen.

This sprawling urban community was a natural to become the home of the combo. Skaggs and Albertson's started the trend in 1970 when they joined forces to open eight food/drug combos here with offices in Richardson. By 1977 when they split up they had opened 59 combos in Oklahoma, Arkansas, Texas, Louisiana and Florida. Each got 29, Skaggs in Oklahoma, Arkansas and east Texas, Albertson's in Louisiana, Florida and west Texas. Skaggs got the Richardson offices. Albertson's settled in Orlando, Fla. Now Albertson's has made a comeback in Dallas with four 62,000-sq.-ft. food/drug com-

Continued on page 17

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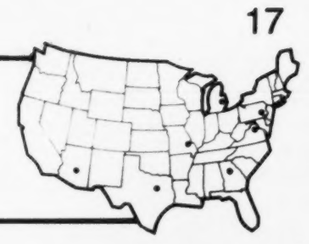
Store wars: 7 hottest markets



Dallas store growth parallels raging drug price competition

Continued from page 16

bos and four more in the works and is giving its old partner and the rest of the competition a run for its money.

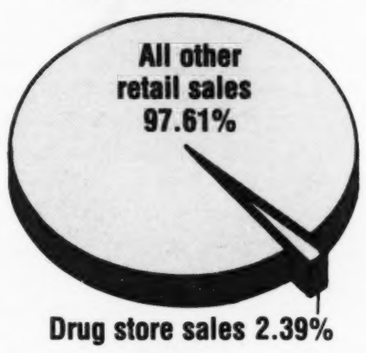
The rest of the competition includes such other combos elbowing their way in for a share of the market as Kroger, Winn Dixie and a local newcomer, Minyard's. Minyard's Sack'n Save 76,000-sq.-ft. deep discount warehouse combo in Waco is one of the largest food-drug combos in the country.

Other deep discounters successfully luring the mobile, car-dependent residents are Safeway's Drugs For Less and Drug Emporium, each with four stores and, another newcomer to the area, the 65,000-sq.-ft. Fazio's.

"The market is a mixed bag right now," said Bill Mansfield, division manager of Page Drug Stores. "It's all up in the air. But maybe there's room in the market for that many different retailers. Hopefully, there'll be enough people."

Both Feuer and Oren Peacock, vp and Dallas division manager of Eckerd, believe the population growth has slowed. Nevertheless, more expansion is planned. Some of the chains would not reveal their plans, but Mansfield said that Tom Thumb/Page plans to open four new combos in 1986 and Peacock said Eckerd also is planning to open several new stores. Albertson's, too, has plans for expansion. As Jerry Merritt, general sales manager of wholesaler Southwestern Drug, put it: "They're just opening up stores. Period."

Drug store sales as a % of total retail sales



Source: S & MM, 1985

The burgeoning growth of the giants is having its effect on the conventional chains and on smaller stores. For one thing, prime lease space is difficult to come by. Smaller chains and independents, in particular, have a hard time getting space and may have trouble affording it. One small chain, Town & Country Drug, grew from eight stores in 1984 to 13 in 1985, but its vp and general manager, Keith Dunavant, said that further expansion would have to be done by acquisition because shopping centers go after the bigger chains to rent to.

Prices, too, are affected by the arrival of the combos. Albertson's, in particular, "hottened things up," as one executive said, when it came in earlier this year and startled the other stores by pricing its merchandise across the board at discount rates. Tom Thumb/Page responded by cutting many of its prices to comparable or even lower levels, Mansfield said. Minyard's also cut prices, and Safeway and Kroger introduced double couponing. "It's very tough on prices," Feuer said.

In this aggressive environment, two conventional chains are holding their share of the $545 million market. Eckerd and Revco held respectable positions in an informal survey conducted for the *Dallas Morning News* by Belden Associates of Dallas. Of the 1,800 shoppers asked where they or someone in their households had shopped in a typical seven-day period, 739 named Eckerd and 347 Revco. Only Safeway, with 752 people naming it, surpassed Eckerd. Albertson's, the prodigal newcomer, was named 190 times.

Eckerd manages to keep its edge by stressing convenience, Peacock said. "We're very selective in what we do," he said. The chain chose its 80 stores to be close to where consumers live and work, he said, "so they don't have to go into the supermarkets."

Major drug chains

Chain	No. of stores
1. Revco	120
2. Eckerd	95
3. Skaggs	19
4. Page	14

Source: A. C. Nielsen

Effective buying income vs. retail sales

Effective buying income	$42.4B
Effective buying income per household	$34,221
Total retail sales	$22.8B
Total retail sales per household	$18,387

Source: S & MM, 1985.

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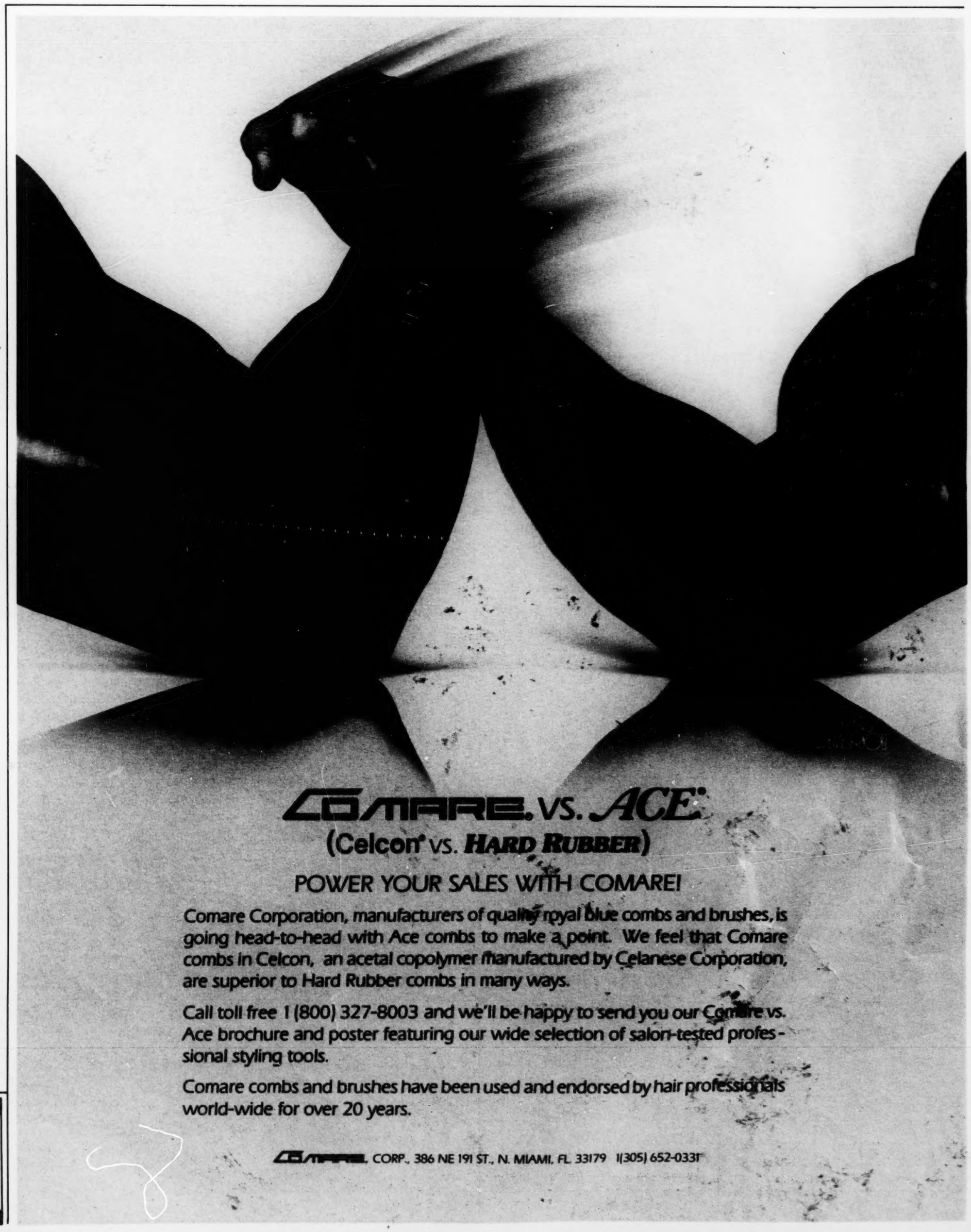
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Store wars: 7 hottest markets

Drug stores expand with Atlanta's population

By Dave Vaczek

ATLANTA — Drug store chains and independents are in hot pursuit of Atlanta's burgeoning drug store market, while trying to stave off a deep discount presence that has flourished with the steady influx of upscale migrants to this evolving Sunbelt city.

Companies including market leaders Eckerd and Reed are planning major new store expansions, mostly in suburban locations that have hosted some of the country's most explosive population and employment growth. That growth has supported a 40% increase in drug store sales to $437 million in the five years from 1980 to 1985.

In only three years, Drug Emporium, leading the deep discount charge, has forced conventional stores to break old pricing and merchandising habits. The deep discounters' aggressive inroads, and the strong presence of combination stores, notably Kroger, have sparked price battles and a storm of newspaper advertising by the chains.

In addition, retailers are refocusing their merchandising efforts at the young, well-educated, and often married, consumers, who make up an increasingly large segment of the market. The median age is 30.

If the scramble for market share is a touch frantic, the potential rewards are also great. The seven-county region surrounding Atlanta (with 90% of the population and 95% of the jobs in the Greater Metro Area) has grown 2.7% a year since 1980, well above the national average. Moreover, planners say Atlanta's 2.3 million population (it is already the nation's 11th largest metro area) should continue to swell as the economy keeps attracting workers.

In keeping with this trend, most drug store companies and market observers perceive a substantial opportunity for building new stores, particularly in Gwinnet and Cobb Counties to the city's north and northwest where the densest growth has occurred. Gwinnet was the country's fastest-growing county from 1980 to 1984, with nearby Cobb in the top 10.

A second ring of regional malls is also cropping up 10 miles from the current city perimeter along the interstate 285 beltway. Called the Golden Crescent, these intense nodes of commercial development are creating a string of shopping centers and malls.

Demographic breakout	
Population	2.4M
Households	870,000
Effective buying income	$28.0B

Source: S & MM, 1985.

Gwinnet Place, which opened two years ago, is the first of four proposed malls along the second ring. It has stimulated tremendous business growth, hotel construction and the spread of suburban neighborhoods.

Reed Drug, owned by Peoples, is targeting new store openings in yet-to-be-developed sites on the market's fringes, anticipating the development. With 56 stores, Reeds plans to add about five stores a year. It is also remodeling and expanding its older 6,000-sq.-ft. stores, closer to the 10,000 sq. ft. of its new prototype.

With 78 stores in six counties, Eckerd plans to open 10 more stores this year, and eight next year.

Drug Emporium, which has opened nine stores since 1982, plans to open six to eight more in 1986. The company is attracted by the dynamic growth, particularly in the north. Drug Emporium reports exceptional success with its existing units, which are grabbing sales away from established players, and changing customers' expectations. All stores—except one opened last month—are turning a profit. "The stores in Atlanta have exceeded expectations, and making money has been no problem," a company official says.

The deep discount concept, also adopted by SupeRx in one of its 11 stores here, seems to be a good marriage with the area's demographics. Aimed at customers who shop less often, but spend more money per trip than in a conventional drug store—$10 to $30 a trip once every three weeks—Drug Emporium is in sync with the price-conscious upscale segment.

The chain's stores are stealing business not only from conventional stores in their immediate neighborhood, but also from mass merchandisers and supermarkets, with heaviest success in H&BA.

Local chains report their customers are more attuned to price, and they have been forced to cut their prices as a result.

"Our customers have been extremely price-conscious in the last couple of years," said Bil Dunaway, owner of Dunaway Drugs, an 18-store local chain with all its stores in Gwinnet and Cobb.

Dunaway said he recently cut prices in paper products, and leading H&BAs. "We're price shopping our competitors, and changing our prices faster to stay with the competition," he said.

The five-store local chain, Wender and Roberts Inc., cut prices 20% to 25% on 200 top-selling items in drugs, H&BA and gm, one year ago—eight months after Drug Emporium opened a store across the street on Fulton County's Roswell Road. Customers in the neighborhood began complaining about Wender's prices, said Don Wender, president.

"At one time, the average person this side of town wouldn't be caught dead in a cut-rate drug store," Wender said.

The smaller local chains are trying to hold onto a traditional emphasis on service, to position themselves as an alternative to the larger chains and to keep giving their customers what they expect. Dunaway has lunch counters in 10 stores, including his two latest recently opened in Gwinnet. Wender and Roberts is keeping charge accounts, emphasizing clerk service and offering home drug delivery.

"We're trying to maintain some kind of flavor that makes us a little bit like the drug store you grew up with," said Dunaway.

The merchandise mix of the chains is evolving to target the shifting audience. Eckerd is promoting discounts on baby products and baby prescriptions, and has added candy, snacks and beverage sections, while following an everyday low price strategy. Revco, with 14 stores, plans to evolve to a more youth-oriented product mix.

Major retailers in Atlanta market			
Major food chains	No. of stores	Major mass merchandisers	No. of stores
Food Giant	73	K mart	39
Colonial/Southern	69	Richway	14
Winn Dixie	68	Zayre	11
Kroger	56	Rose's	7
A&P	26	Wal-Mart	4
Bi Lo	8	Marshall's	4

Source: A. C. Nielsen

Dunaway is promoting a kids' club, featuring discounts on baby prescriptions and expanded baby and toy departments.

Price competition has stimulated fierce advertising by the chains. Preprints delivered by the *Atlanta Journal* and *Constitution* have increased 30% to 40% a year since 1983, while the number of chains advertising has remained the same.

A preprint delivery program provides total market coverage to reach nonsubscribers. This year for the first time preprints will be targeted geo-demographically.

Drug Emporium has used television to put across its low-price image, with the slogan: "Savings so big, you need a shopping cart."

Independents, holding onto about 5% of the market, are rallying on a number of fronts to protect sorely squeezed margins.

A statewide buying group of 130 independents was formed Oct. 10 to pool their buying power for bidding on drugs. Drug Mutual, a 200-member co-op, functions as a wholesaler, and has turned over monthly rebates based on discounts it receives to its members since 1929. Wholesale buying is critical for many independents. Says a state pharmaceutical official: "We're able to buy for close to what the chains can."

Meanwhile, health maintenance organizations have become a statewide force. "A year and a half ago, a lot of pharmacists here didn't know what an HMO was," said one observer.

Kaiser Permanente Medical Group of California, the nation's largest health maintenance organization, is the latest. The already established Ameriplan is aiming at 60,000 subscribers by year's end. The American Association of Georgia, meanwhile, is planning a statewide HMO. The HMOs' exclusive contracts with chains is a threat the independents hope to counter with an independent practice association, now being formed, to compete for contracts.

Supermarket and discount stores are also claiming their share of drug and H&BA sales. Kroger has 47 stores in the seven-county metro region, including 23 superstores, with 30,000 to 40,000 sq. ft., which include specialty departments and H&BA sections. Kroger opened three combination stores and closed two this year, leaving 24 of the 40,000- to 60,000-sq.-ft. stores, which include specialty departments, sitdown restaurants and H&BA sections.

K mart, boasting the largest presence among the discount chains with 39 stores, features pharmacies in the majority of them.

Food Giant, claiming the largest supermarket presence with 79 stores, introduced its first Cub warehouse store in May, in Gwinnet County, and has one under construction in DeKalb County. The 76,000-sq.-ft. store operates with the same high volume, low markup concept employed by the deep discounters—which it calls "assured minimum pricing." The store emphasizes low-priced groceries and perishables, and also includes a pharmacy.

Observers are upbeat about the region's long-term growth, with projections calling for a population of 3.5 million by 2010. In the short term, population and employment declines from the exceptionally high levels of the past two years have injected a note of caution and concern about overbuilding. The region was caught badly overbuilt, mostly in commercial space, in the mid-1970's recession.

While their success isn't guaranteed, there will be a lot of opportunities for drug stores to open, as the regional malls extend the limits of the suburbs. And Atlanta's diverse economy, with 20% in service, 16% in government and 16% in retail, will continue to attract the upscale consumer.

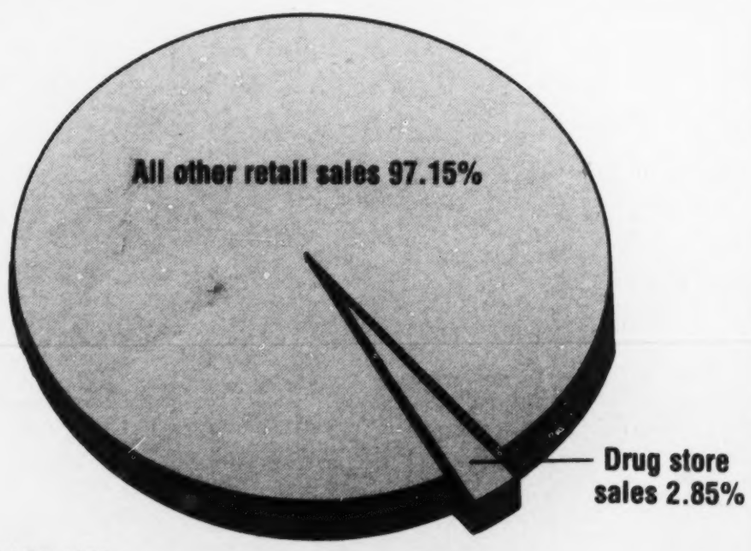
Major drug chains in the Atlanta market	
Chain	No. of stores
1. Eckerd	76
2. Revco	75
3. People's/Reed	53
4. Treasury	24
5. Dunaway	14
6. SupeRx	12

Source: A. C. Nielsen

Effective buying income vs. retail sales	
Effective buying income	$28.0B
Effective buying income per household	$28,610
Total retail sales:	$15.3B
Total retail sales per household	$17,557

Source: S & MM, 1985.

Drug store sales as a % of total retail sales



Source: S & MM, 1985.

Store wars: 7 hottest markets

Four chains vie for DC's upscale shoppers

By Ken Rankin

WASHINGTON — Picture a major drug store market blessed with lower than average real estate costs, a moderate level of price competition, relatively low wage rates and a 50-50 split between chains and independents.

Those conditions might still exist somewhere—but certainly not in the pressure-cooker Washington, D.C. market where three major chains have been locked in a dogfight for the area's affluent drug store shoppers for much of the past quarter century.

To outsiders from such distant provinces as Arizona, Indiana or Oregon, the nation's capital could well come across as a marketplace nightmare that is already saturated, overly competitive and too expensive.

And indeed, there is some evidence to support those conclusions. Conservative estimates peg retail location costs within the Washington Metropolitan Area at least 10% above the norm in most other major U.S. markets, and wage rates in the region are even further out of kilter with the national average.

The area's "big three" drug chains—Peoples, Gray Drug Fair and Dart—are already operating more than 300 units in the District and its nearby Maryland and Virginia bedroom communities, and there's a scramble to sew up additional locations at virtually every strip center, mall or renewal project on the drawing boards.

The level of price competition varies from "tough on a good day" to downright devastating during the occasional drug store price wars that seem to flare up regularly with little warning and even less provocation.

Even D.C.'s independents are a cut or two above average. With chains controlling 75% or more of the market (depending on your geographic definition of metro Washington), the "push-over" indys were pushed out years ago. Those that remain ("large," $500,000 and up independent pharmacies own about 15% of the pie) are often tough as nails.

As a result, all three of the Washington area's drug chain market share leaders have had difficulty maintaining profitability *and* market share at the same time.

But is the D.C. market really the drug store industry's "Temple of Doom?" Not according to veteran chain execs familiar with both the pressures and the payoff for successful drug store operators in Washington's upscale and almost recession-proof marketplace.

By even the most restrictive yardstick, Washington ranks as one of the dozen largest metropolitan areas in the nation—and some surveys using a more geographically liberal definition (including such outlying Maryland and Virginia counties as Frederick, Charles, Calvert, Prince William and Stafford) peg the D.C. market No. 6 in the U.S. with a total population approaching 3.5 million.

But size alone is only part of the attraction. The Washington, D.C. area also ranks as one of the highest income areas in the nation.

Here's how the key players stack up:

- Peoples, the "grand dame" of D.C. drug store scene, remains the undisputed leader in store count with more than 150 units scattered through the city of Washington and suburbs on both sides of the Potomac. The Alexandria, Va.-based chain still controls

Continued on page 22

Major retailers in Washington market

Major food chains	No. of stores	Major mass merchandisers	No. of stores
Safeway	139	K mart	28
Giant	94	Zayre	14
A&P	41	Luskin's	13
Weis	9	Rose's	6

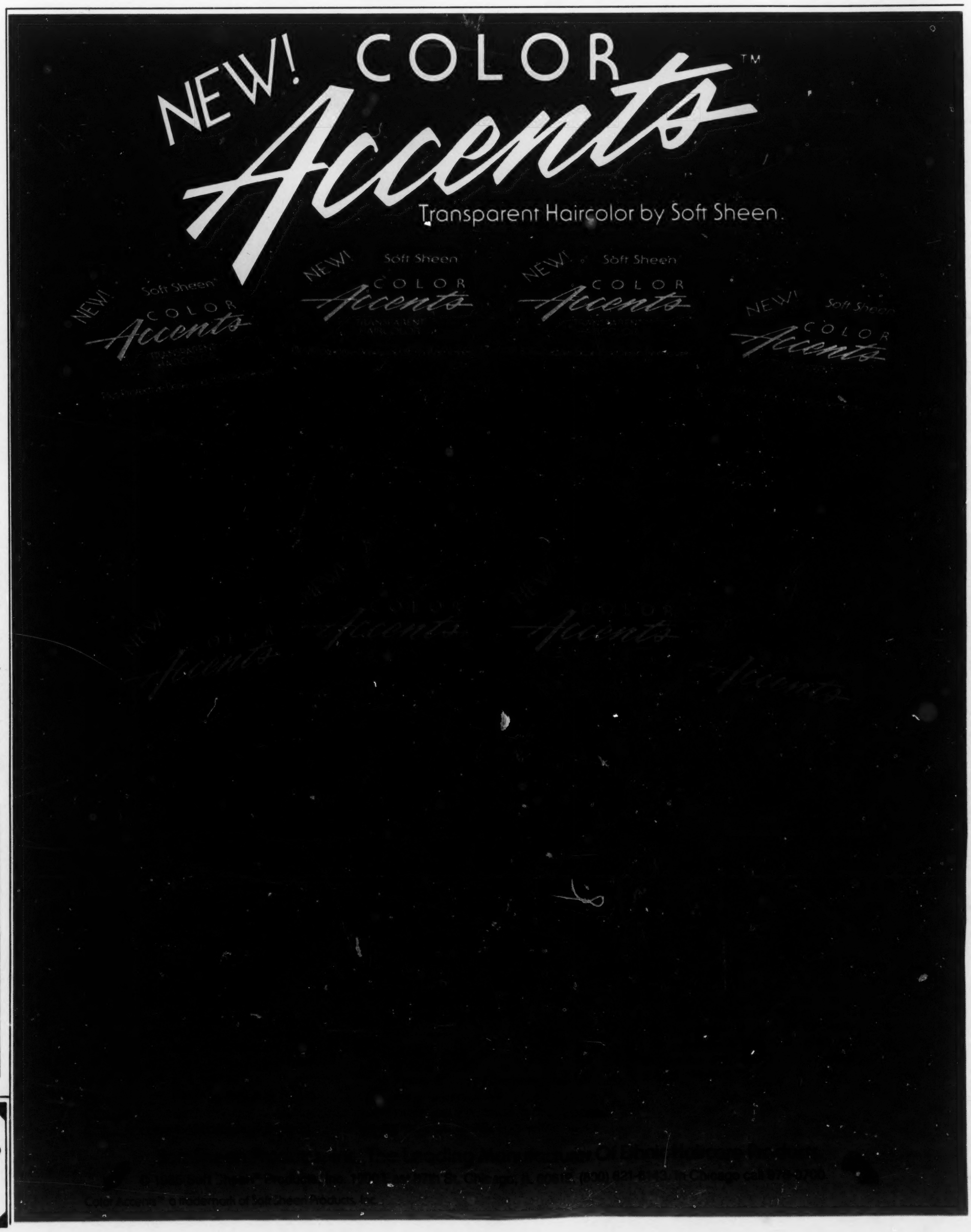
Source: A. C. Nielsen

Major drug chains*

Chain	No. of stores
1. Peoples	172
2. Gray/Drug Fair	99
3. Dart	58
4. Revco	20
5. Rite Aid	17
6. Thrift	4

*As of late 1983

Source: A. C. Nielsen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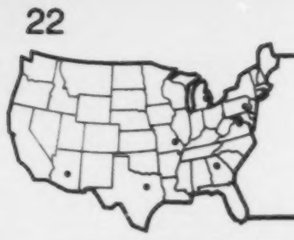
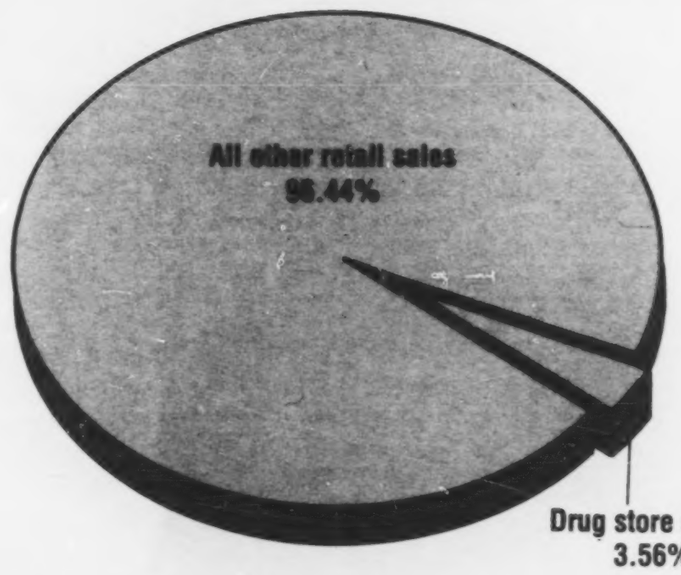


Store wars: 7 hottest markets

Drug store sales as a % of total retail sales



Source: S & MM, 1985

Maintaining share of market and profitability a problem

Continued from page 21

an estimated 24% share of dollar sales in the Washington drug store market, but according to recent projections that's not good enough to remain No. 1 in overall volume.

• Dart Drug, with 29% of the market, is the overall sales leader in metro Washington now, even though the chain ranks no better than third in store count with nearly 70 units. Unlike Peoples, which continues to maintain a sizable presence in the city of Washington (some three dozen units, all traditional drug stores) Landover, Md.-based Dart has focused the lion's share of its growth to date on "superstores" in the Maryland and Virginia suburbs.

Demographic breakout	
Population	3.4M
Households	1.3M
Effective buying income	$50.5B

Source: S & MM, 1985.

• Gray Drug Fair, the weakest of the "Big Three," nevertheless boasts a 21% market share and some 90-D.C. area units. Like Peoples, GDF concentrates on "traditional" drug store operations, but like Dart the chain has targeted on upscale suburban areas.

• Giant Pharmacies broke into the D.C. market during the 70's with a smattering of food/drug combos, but is now opening "freestanding" drug units and is threatening to become the fourth member of Washington's "big three." With nearly 40 pharmacies in and out of its D.C. area supermarkets, Giant already controls an estimated 9% of the total Washington "drug store" market.

• Other chains nibbling at the corners of the D.C. drug store market include four-store Rodman's (a longtime area discounter), Standard/Medco with 16 units on the fringes of the market, Safeway (18 Rx departments in its area supermarkets) and Drug Emporium (four units scattered strategically through the suburbs).

• Independents in the Washington market include some 300 serviced by District Wholesale Drug, which together account for less than 15% of the total dollar sales by area drug stores.

Significantly, each of the three top D.C. area chains changed hands in recent years—Peoples going to Montreal-based Imasco earlier this year, Drug Fair falling to Cleveland's Gray Drug (and eventually Sherwin-Williams) in the early 1980's, and Dart sold by founder Herbert Haft to a group of chain execs in a leveraged buyout last year.

Of the three, Drug Fair's transition has proven to be the rockiest (the chain's predicted "turn around" seems perpetually just around the corner).

Both Drug Fair and Dart, meanwhile, are moving to shore up bottom-line performance by shifting to less costly "downsized" stores.

Effective buying income per household	
Effective buying income	$50.5B
Effective buying income per household	$36,002
Total retail sales	$22.9B
Total retail sales per household	$18,118

Family Circle is starting an after-Christmas rush on these products

Watch for brisk movement of these cold-weather products starting December 23, when the January 21 issue of Family Circle goes on sale. In that issue, promotion-minded advertisers join the world's largest women's magazine in a product-moving promotion.

There were over 384-thousand entries in the 1985 Winter Survival Sweepstakes – with thousands of proofs of drug store product purchases. That's a good indication of the stepped-up sales activity this promotion generates.

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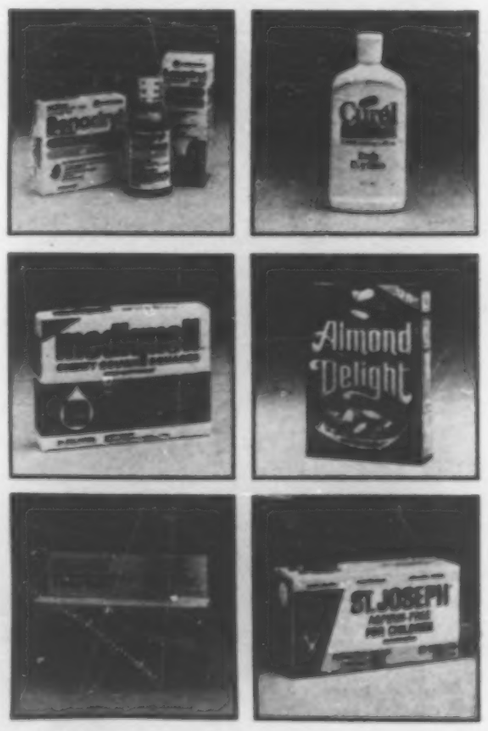

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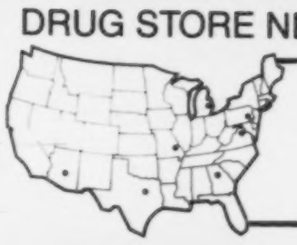

Store wars

Battle for market share fierce for Detroit chains

DETROIT — The lowdown on Motown is that it is still one of the most competitive and active drug store markets in the country. Perry Drugs is dominant here, yet controls only 17% of the drug store sales, showing, if nothing else, how truly razor-edged the competition is.

With each percentage point of market share equalling about $10 million in sales in this $1.1 billion drug store market, competition for those points is fierce. Adding to that fierceness is the fact that the population growth in the area is static and that the great majority of future sales growth for any one chain will be at the expense of its competition.

Sharing the market with Perry's 87 metro Detroit stores is F&M with 11 stores and a 7.1% market share, Arbor Drug with 28 stores and a 5.8 share, Revco with 36 locations and a 4.4 share, and Sentry with 19 stores and a 3.2 share.

There are also pharmacies and competitive H&BA departments in many of metro Detroit's K marts, Kroger and Farmer Jack supermarkets, as well as in the large Meijer's Thrifty Acre stores.

Even without "outside" chains making a foray into the Detroit metro market, many chain officials are trying to predict where their chains' future growth will come from.

The two strongest chains in the market, Perry on the conventional drug store side, and F&M on the deep discount side, have basically been credited for keeping any interlopers from entering the market. One drug store executive said that "another chain would have to be crazy to enter this market at this time, unless they bought at least 25 stores in order to get a strong foothold."

Most agree that the future growth of the drug store industry will come from store acquisitions and chain buyouts, and not necessarily from new store locations. However, Fred Seeley, Perry's senior vp of real estate, thinks the market is far from overstored and could use at least "100 more, full-size, full-service modern drug stores. There's a lot of pockets out there that can be filled to help penetrate the market," said Seeley. "The developers are still building in excellent neighborhood locations."

Seeley, who says that Perry is in a very good situation because of its good reputation and dominance within the market, has no problem finding good sites.

"More often than not, a developer will call me and say that he is considering a specific area to develop, and asks me to go along to see if Perry would also be interested." Seeley estimates that Perry now gets first shot at about

Continued on page 36

Major drug chains

Chain	No. of stores
1. Perry	87
2. Revco	36
3. Arbor	28
4. Sentry	19
5. F & M	11

Source: *Drug Store News* survey

Effective buying income vs. retail sales

Effective buying income	$49.8B
Effective buying income per household	$29,170
Total retail sales	$23.5B
Total retail sales per household	$14,892

Source: S & MM, 1985.

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Store wars: 7 hottest markets

Detroit battle for market share among toughest in the country

Continued from page 35

95% of the locations that become available.

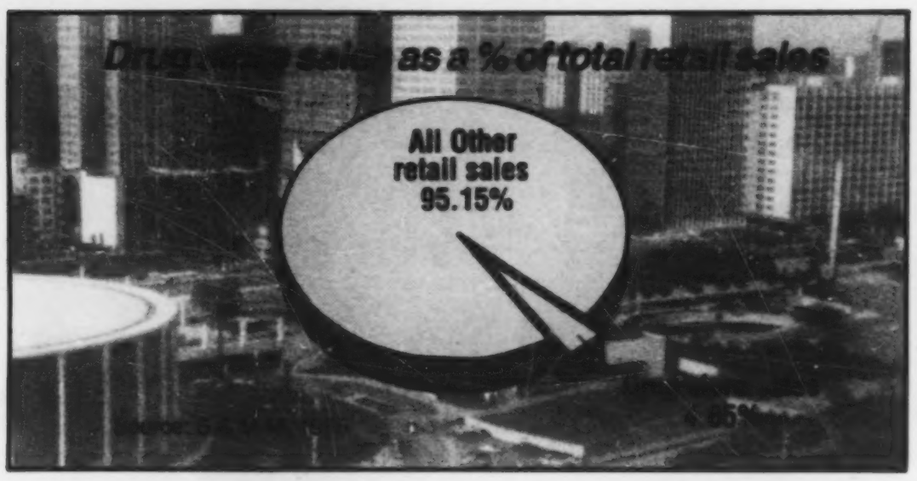
"It's very tough for any of the rest of us to even challenge Perry's dominance because they get all the good locations," said one Perry competitor who wished to remain nameless. "We have to go and court the developers; Perry sits back and gets invited to see soon-to-be-developed areas."

Many markets today are having problems with the larger grocery combos demanding pharmacy exclusivity in areas in which they build, thus closing out traditional drug stores from that mall or strip center. But Detroit's contractors haven't allowed this practice to begin.

"Our developers are strongly against no-compete clauses," said Seeley.

Sonny Raichlen of Cecille's, an independent deep discounter, said that he thinks the market is close to being saturated and that he sees most growth coming from the smaller independents being gobbled up by the chains.

"In the past six years, the chains have been taking over the independents in this market," said Raichlen. "At one time, Detroit was considered a hotbed of high-volume independent drug stores. Now those strong 'indies' can be counted on one hand."



Today, several chain officials claim that anywhere from 60% to 70% of the drug store business done in this market is done by chain drug stores. "Just seven years ago, that figure was much closer to being reversed in the independents' favor," said one chain executive.

F&M is considered to be the main reason that Detroit is such a mature drug store market, not only in store innovations, but in customer perception.

"The Detroit shopper is a smart, price-sensitive shopper. She knows how to shop a deep-discount drug store because she's been around a true deep discounter for so long," said Raichlen.

"F&M has been around so long and is so popular, that its name has become somewhat a generic name for deep discounting," said one Perry store manager. "When we opened our first A. L. Price store [Perry's deep discount division, now with three metro Detroit stores], I heard people call it an F&M-type store."

A buyer with one of the local chains said that the prices, even the deep discounted ones, are slowly working their way up. "It's a real hard market and we all try to beat the other's prices," he said. "But several times a year we'll raise an item, and within a couple of days our competition will do the same. None of us want the prices to go down so far that we have a hard time making a profit."

Whereas in most markets prescription prices are used to match or beat the competition, Detroit pharmacies find it hard to compete on a strict price basis because of all the third party co-pays.

"Our market is very heavy blue collar," said an Arbor pharmacist. "And most of the union workers have a great third-party prescription plan. By far the majority of the scripts I fill daily are co-pays. We really have nothing to cut prices on."

As far as promotional and advertising activity is concerned, Detroit is not a cohesive market. "There is no one dominant medium that drug stores use for advertising," said Bob Ruwoldt, vp for advertising at Perry.

Several drug store advertising executives agree that in Detroit, the best way to promote most effectively against competition is on a very local, almost neighborhood level. That means direct mail flyers and marriage mail vehicles.

"I don't look at Detroit as one market," said Seeley. "I look at it and see maybe 140 small markets that are all different and have special needs that we must fulfill."

As for broadcast advertising, Perry, F&M and Arbor use TV on a regular basis to promote their pharmacies, special services and philosophies, but not to promote prices. Radio is used sparingly by all drug store advertisers,

Major retailers

Major food chains	No. of stores	Major mass merchandisers	No. of stores
Bormans/Farmer Jack	82	K mart	55
Kroger	62	Meijer Thrifty Acres	6
Chatham	41	Kingsway	5
A&P	41	3-D	2
Allied	26	—	—

Source: A. C. Nielsen

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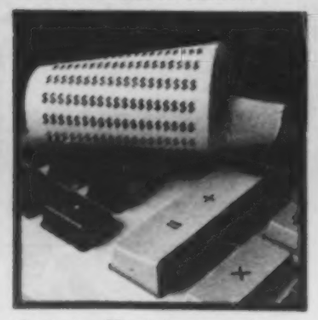

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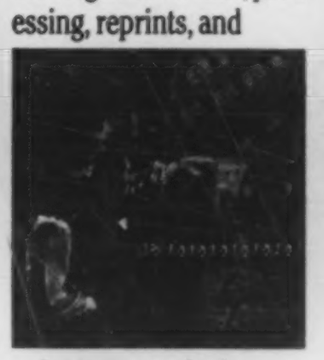

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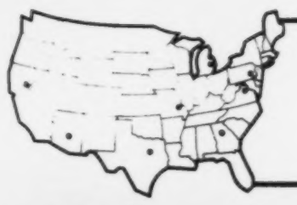

Store wars: 7 hottest markets

Phoenix: Aggressive marketing gives edge

By Lou Karney

PHOENIX — Phoenix's official motto is "Ditat Deus" (God enriches). But for drug retailers, a more pragmatic motto is: aggressive marketing enriches.

Even so, the bottom line is getting thinner. The "Who's Who" of Greater Phoenix is weighted with six of the nation's 12 top-volume chains: Walgreens, American Stores, Revco, Longs, Thrifty and SupeRx.

But there's more. Drug Emporium is the price setter; Smitty's, with 110,000-sq.-ft. department stores, leads in market share of H&BA and OTC with 18%, while K mart accounts for 8%.

Also nibbling at H&BA and general merchandise categories are Target and Gemco discount department stores and Price Club.

Although Target and Price Club do not operate pharmacies, there is no dearth of Rx competition—especially from HMO's with in-house Rx departments. Cigna, the largest and oldest HMO in Arizona (15 years) has 16 pharmacies to serve its 190,000 members.

Demographic breakout	
Population	1.7M
Households	669,100
Effective buying income	$19.1B

Source: S&MM Survey of buying power, 1985.

An additional marketing force is supermarkets, heavily laden with general merchandise, which are competing vigorously on the top 100 H&BA's.

But Fry's (a division of Kroger), the most aggressive food retailer, is also thrusting deeper into pharmacy.

Fry's operates 16 pharmacies in its 36 units. A half dozen of those food stores are in the 50,000-sq.-ft. area. The newest—expected to be the prototype—is the 58,000-sq.-ft. store opened in November at 7th and Bell in Phoenix.

The exterior is uniform in all Longs stores. This one is in northeast Phoenix.

Fry's sign aggressively promotes pharmacy.

Major retailers			
Major food chains	No. of stores	Major mass merchandisers	No. of stores
Safeway	53	Yellow Front	50
Bayless Market	42	K mart	15
National	35	Smitty's	13
American	29	T.G. & Y.	6
Kroger	25	Gemco	6
Lucky	22	Marshall's	2
Smitty's Market	20	Price Club	2

Source: A. C. Nielsen

Although Fry's downplays the "combo" tag and strives for a food image, the commitment to nonfoods and pharmacy is very much in evidence.

At its 51,000-sq.-ft. combo at 51st and Indian School Road, for example, Fry's leads off with pharmacy in the right corner and then spins into nine 74-ft. gondolas, stocked with drug store type merchandise, which extend almost to the center of the store.

A former exec. with Smitty's analyzes Fry's gambit: "With the strong competition in Phoenix, there is no way Fry's can increase its gross margins. So the next best thing is to increase traffic, through lower prices, and eat up the other people's market share."

Who are the "other people?"

"The independents," says the exec., "plus Albertsons, Safeway and Alpha Beta. Also, Bayless and Basha's, before new management took over."

However, Fry's is finding it easier to take food sales away from supermarkets than to "steal" prescriptions from drug stores. Typical is the five-year-old Fry's combo in west Phoenix which adjoins Walgreens in a shopping center.

According to Fry's prescription manager, Fry's fills 80-90 scripts a day compared to 235 at Walgreens. But then Fry's problem is universal—that is, trying to overcome the reluctance of food shoppers to have scripts filled in what they perceive as a food store.

But Fry's is not the only chain which has shifted tactics the past few years. Skaggs, once low-price leaders in Rx, are no longer low-balling across the board. As a profit-defense, Skaggs stores (renamed Osco) are competitive only on the top sellers.

Walgreens, the most successful chain in third-party contracts, has made promotional hay by highlighting the convenience of its pharmacy terminal system, in that scripts can be transferred to any Walgreens store in Arizona.

Walgreens also gets high marks for its ad program—especially liquor—and the expertise of its store management team (manager, assistant manager, department heads). Walgreens also has the most amibitious expansion program—7 to 10 new stores within the next year.

Seven months ago, K mart, operating 10 stores—all with pharmacies—discontinued its 10% senior citizen discount and dropped H&BA prices. Volume increased substantially, as a result.

The stretch-out of store hours as a one-upmanship move is subsiding as the chains try to curtail overhead. Today there are fewer stores open 24 hours—also fewer stores open to midnight. The trend is now to 9 to 9 or 9 to 10, with Walgreens operating the only 24-hour store where its pharmacy is also open 24 hours.

SupeRx suspends ads from the overhead along the aisle to attract customers as they shop.

The drug chain to watch? Longs, according to a consensus of wholesalers and retailers.

The division manager of a major wholesaler says it succinctly: "It's a well-run outfit, responding to the needs of the neighborhood, with clean aisles, full facings—and a price image through food and H&BA. Plus manager autonomy." Still, because of the fierce heat of competition, Longs was forced to extend its break-into-the-black timetable.

There are many who say that Phoenix is unequivocally the toughest market in the U.S. An exec. spells it out: "Nonfood margins have gone

Continued on page 41

Phoenix Independents

One word most aptly describes the plight of the independents: embattled.

The problem is basic. The chains can literally give away prescriptions (and some have done so with third-party), but still make it at the front end. However, many independents are weak at the front end, and if they don't make it on Rx, they just don't make it.

SupeRx's one-year contract (outbidding Thrifty and Longs) with Comprehensive AHCCCS, is instructive. Comprehensive AHCCCS is an HMO, made up of a consortium of doctors and a hospital in Flagstaff. The contract provides a choice: AWP plus a 25¢ fee or $7.23 per patient per month on capitation.

In Phoenix, Arizona Prescription Service (APS), a wholly owned subsidiary of the Arizona Pharmacy Association, made a proposal to People's Choice, an HMO for AHCCCS (Arizona Health Care Cost Containment System). The proposal: AWP plus a fee of 75¢ for branded drugs or $1.50 for generics.

Criticized for proposing such a low fee, Mike Comick, executive director of APS, told *Drug Store News:* "The low fee reflects the nature of the competition—some contracts are for flat AWP with no fee. We're telling our members what's out there; it's up to them to make the choice."

Pharmacists say they need a fee of $3.50 just to break even.

How, then, have Arizona's 258 independent pharmacies survived?

Many give credit to United Drug, a voluntary group which services 140 independents statewide. Says Stan Sirota, owner of Fairmont United Drug: "United has the buying power of a chain, and they teach independents how to merchandise and manage."

Keystone of the United program is ESP (Everyday Savings Program) in which the chains are price-shopped on the top 150 H&BA items.

Says Mike Huston, executive director of United: "We have contracted for 15 different services for our members. These include H&BA, photo finishing, store design/layout, and computer systems. We also have our private label line of 40 H&BA items along with 64 sku's of private label vitamins."

United's income comes from over-rides from vendors. Last year, it generated $236,000 income, of which $144,000 was spent on advertising, and $75,000 was rebated to members. The balance was taxable rental income and interest income.

Mike Huston says that "three or four years ago the independent's market share dropped to 8%-9%, but programs such as ours increased that share to 12%-15%. Now it's dropping again because there are so many chain stores. But that's not all bad for the independents. The independents have been hurt by the chains as much as they possibly can; now the chains are taking it away from other chains."

Store wars: 7 hottest markets

Aggressive marketing tactics key to Phoenix traffic wars

Continued from page 40

down two points over the last several years. At present, gross margins are 24%-25%, which is five to seven points below other areas of the country. Too many retailers want to sell H&BA and gm at cost—so in this crazy, dog-eat-dog market, buying has become more important than selling."

Is Greater Phoenix growing fast enough to warrant the retail commitment? No, because Phoenix is overstored. Nevertheless, Phoenix is one of the fastest-growing cities in the country, having gone from the 11th to 9th largest U.S. city since the last census.

In a 10-year span (1973-1983) population increased 43.3% and retail sales increased 204.4%. The state has three million residents; of that total, two million live in a radius of 30 miles of Phoenix.

Principal industries are manufacturing, agriculture, and tourism. The fastest-growing segment is electronics. Industrial watchers predict that Phoenix will become the Silicon Valley of the Sunbelt.

The lure for industry, in addition to a low tax base, is a pool of skilled workers at a lower pay scale than many other metropolitan cities. (Arizona is a right-to-work state.) What attracts the workers is the purchasing power of their dollar. For example, a three-bedroom house with a pool can be purchased for $60,000.

Market share

The winners (1979 to 1984) are Walgreens and Smitty's. The losers: Revco, Skaggs (now Osco), SupeRx and Thrifty.

On the heels of an aggressive new store program (from 21 to 33 stores), Walgreens has increased its share of prescriptions from 11% to 14%, and non-Rx drugs from 7% to 14%.

Smitty's moved from 5% to 10% in Rx, and from 12% to 18% on non-Rx.

Revco, despite adding six stores (from 34 to 40), dropped from 19% to 14% on Rx, from 12% to 10% on non-Rx.

Skaggs, with the same number of stores (18) slipped one point on both Rx and non-Rx (Rx: from 13% to 12%, and non-Rx, from 12% to 11%).

SupeRx added four stores (26 to 30) but saw its Rx share drop from 14% to 11%, and its non-Rx share from 9% to 6%. Thrifty (21 stores to 20) went from 6% to 5% on Rx; and from 4% to 3% on non-Rx.

Relative newcomers Longs and Drug Emporium have reduced the slices of the pie. Longs has 5% of Rx and 5% of non-Rx, while Drug Emporium's four stores captured 5% of Rx and 9% of non-Rx.

Effective buying income vs. retail sales

Effective buying income	$19.1B
Effective buying income per household	$25,153
Total retail sales	$10.7B
Total retail sales per household	$16,029

Source: S&MM Survey of Buying Power, 1985.

Major drug chains

Chain	No. of stores
1. Revco	40
2. Walgreens	34
3. SupeRx	30
4. Thrifty	20
5. Smitty's Super Valu	20
6. Skaggs	18
7. Longs	7
8. Drug Emporium	4

Source: *Drug Store News* survey

Drug store sales, as a % of total retail sales

Source: S & M M, 1985

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WARNER LAMBERT

Store wars

Medicare-Glaser battles Walgreens for St. Louis

ST. LOUIS — In this highly competitive $386.5 million drug store market, Walgreens and Medicare-Glaser are locked in a battle for market share, and for now, Walgreens is coming out ahead.

Medicare-Glaser has been hit hard as it goes after Walgreens, the market leader with 38 stores and roughly a 26% market share. Medicare Glaser with 56 stores commands about a 15% share. In addition, SupeRx, which operates a total of about 15 stores, including eight under the Gasen banner and four deep-discount Drug Worlds, has a 6% share.

Medicare-Glaser's long-term strategy to increase its market share has continued to have a negative impact on the bottom line—earnings are soft and sales are relatively flat. But, according to Harlan Steinbaum, president and ceo, these results were not unexpected. He said the company had predicted that its attempt to boost market share in its key St. Louis metro market would create a drag on performance.

The growth strategy includes conversion of some professional pharmacies to full-line drug stores, opening new stores, and increasing advertising and promotion. "We are maintaining a competitive posture, whatever is required to increase share of market," said Steinbaum.

The company's aggressive campaign comes at a time when a number of new players have entered the market, further intensifying the competition for Rx and especially H&BA dollars.

Sam's, a wholesale club operation, recently opened a store, and a number of deep discounters, including Drug Emporium, SupeRx's Drug World, and Colman's, have all opened units within the past year, bringing the total number of deep discounters in the area to nine. Wal-Mart's deep-discount store, Dot's, is also reportedly going to open in the area.

There are also pharmacies and H&BA departments in a number of Krogers, Schnuck's, and National food stores. Wal-Mart has recently started to add pharmacies to its stores and Schnuck's is targeting combos as its major growth vehicle.

Another contender in the market is Medicine Shoppe, a franchise pharmacy operator, which has increased its commitment to St. Louis by opening 13 stores here over the last three years.

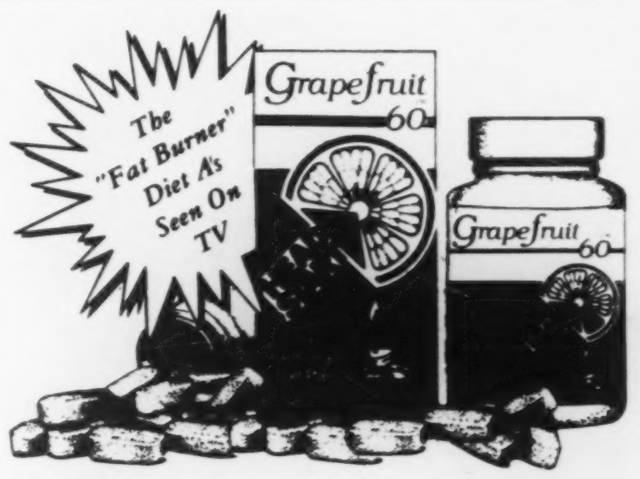
Although St. Louis' population of 2.4 million has not grown significantly over the past five years, the effective buying income of the population is over $27 billion and total retail sales per household is over $16,000.

In addition, the area is experiencing economic growth: since 1970, the region added 160,000 new jobs and $17 billion in commercial construction.

Despite the area's commercial growth, particularly in St. Charles and St. Claire, the fastest growing counties in the area, some drug store retailers believe that the area is reaching saturation. "It's difficult to find new, viable locations, especially when some of the combo operators are putting in noncompetitive clauses so that pharmacies can't do business in a new strip mall," said one local retailer in the area.

Added Art Kunkel, vp of Drug Emporium's St. Louis franchise: "This is not a piece-of-cake market and sales have not progressed as fast as in Atlanta and Columbus, but we are going to try and continue to expand as rapidly as possible because a year from now we may be paying 20% to 25% more for space." There are now three Drug Emporiums in the region and a fourth is scheduled to open next year in St. Charles County.

One area that some retailers believe is poorly served are the local neighborhood markets. Said one chain exec: "In this market you have to stay on your toes and be in right for a particular neighborhood and clientele. There are so many communities here that there is room for growth."



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Inside Pharmacy:
Rx operations study shows productivity rise—p. 29

DRUG STORE NEWS

Vol. 8/No. 1 **Serving chains, wholesalers and high-volume independents for 56 years.** Published by Lebhar-Friedman Inc. January 6, 1986

Humorous ads, such as Thrifty's, are being used by drug chains to break away from item/price approach and enhance store image.

TV ad laughs add pep to images

By Al Heller

NEW YORK — Drug chains are creating new types of television commercials that they expect will strengthen their image in the face of mounting rivalries for pharmacy and general merchandise business.

The latest wave of broadcast ads, from major operators such as Fay's, Thrifty and Page, use humorous twists to inject memorability and warmth to consumer perceptions of their stores.

These commercials de-emphasize item/price, while depicting how consumers relate to drug stores and the merchandise they buy there. Or, in the case of Page, stand-up comedy ties into how the chain's customers think about themselves.

Continued on page 38

Execs get $1.3B for Eckerd deal

Group awaits SEC approval

CLEARWATER, Fla. — An investment group that includes 25 members of management and 32,000 employees has obtained $1.35 billion to finance a leveraged buyout of the Jack Eckerd Corp.

Awaiting only Securities and Exchange Commission approval to make its offer, the group expects to hold a stockholders' meeting at the end of this month. The date will be set when the SEC replies to a proxy statement filed by the group.

The group, managed by Merrill Lynch Capital Partners, is offering $33 a share, with $28 in cash and $5 in subordinated debentures. The terms of the debentures have not yet been revealed.

Financial analysts who track the company say the buyout, which they called beneficial to stockholders, "looks like it's going to be finalized."

Agreeing that Eckerd did not have any alternative to the buyout as a solution to the many problems plaguing it, analysts nevertheless said that the 1,500-store drug chain will face a difficult period after the transaction is completed.

"Turnarounds in retailing don't happen overnight," said Rick Nelson, an analyst with Duff & Phelps Inc.

Having recently prevented a hostile takeover by the Dart Group, Eckerd, fearing yet another such attempt, was forced into the deal by poor sales during a time of declining drug store business. The company has also been criticized by analysts for poor management of inventory and for unaggressive pricing policies.

Analysts said the company will have to address "all aspects of its business" to solve the problems that brought it to where indebtedness is now being added to an already poor

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Pay Less returns to S. Calif. marketplace

By Lou Karney

WILSONVILLE, Ore. — To meet its goal of 40 new stores in 1986 and 100 in 1987, Pay Less NW is returning to the vast southern California marketplace and also adding a 20,000-sq.-ft. prototype to its lineup for markets where land costs are especially high.

Until now, Pay Less has drawn its southernmost line at Bakersfield, 100 miles north of Los Angeles, where it operates two conventional 30,000-sq.-ft. superstores and will open a third next month.

Now Pay Less is moving 60 miles south of Bakersfield with 30,000-sq.-ft. stores in Lancaster and Palmdale, 35 miles from the San Fernando Valley in Los Angeles County.

In October Pay Less' expansion drive will move to the southern tip of California with the opening of a 20,000-sq.-ft. drug store in Oceanside, adjoining San Diego. Pay Less is also negotiating with the developers of a 20-acre shopping center in San Dimas, about 25 miles east of Los Angeles, for another 20,000-sq.-ft. store.

The first of the new 20,000-sq.-ft. prototypes (17,000 selling) opened in November in Taft, 38 miles southwest of Bakersfield, and in Oakdale, near Stockton. Drug observers expect California to become the principal breeding ground for the new prototype, especially in areas where real estate costs are high.

Even before being acquired by expansion-minded K mart, Pay Less had laid the groundwork for growth. Until July 1984, the chain had a single format—the 30,000-sq.-ft. superstore. Then it converted one of those stores in Portland into a deep-discount Value Giant. Since then, there have been two additional deep-discount conversions, both in Hayward, Calif.

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Expense cuts, stable sales to mark '86

Exec outlook

NEW YORK — The nation's largest drug chains said expense cutting, slower new store expansion, more use of private labels and scanning technology would be some of the industry's major operating themes in 1986.

In addition, key industry executives felt 1986's first quarter wouldn't be as heavy with markdowns as last year. More cautious Christmas buyins would help avoid inventory swells following the six-day-short holiday period in which they expected 6%-8% sales gains; they saw no star items such as last year's Cabbage Patch or Trivial Pursuits.

Gerald Wolken

Leonard Genovese

Jack Robinson

Alex Grass

Moreover, many chains set the tone for tighter, low-risk inventory postures when they decided not to run their own holiday gift catalogs. "Half who did it last year didn't do it this time," Phil Weinstein, president of Affiliated Drug Stores, told *Drug Store News*. Many smaller Affiliated chains used circulars instead, and lessened commitments to promotional merchandise that's not part of their traditional year-round mix.

Meanwhile, top executives from Perry, SupeRx, Rite Aid, Genovese and Harco expressed sensitivity to the same sales malaise at a recent industry panel. And the economic outlook isn't helping much either.

Walter Loeb, analyst at Morgan Stanley investment firm, said consumers are "overextended. The savings rate is just 2.5%. Collection rates by retailers are slow, and the delinquency rate is its highest ever, 2.4%."

Against this backdrop, Loeb said "the biggest challenge for retailers is a 1%-2% projected sales increase in the

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Association leaders urge curb on sampling

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NEWS IN BRIEF

Strike affects Calif. drug store sales

LOS ANGELES — After five weeks, the strike against southern California supermarkets by the meat cutters and teamster unions has had a mixed effect on drug store sales.

Vons, selected by the unions as the strike target (the other food chains responded by locking out meat cutters and teamsters), has had supply shortages which Thrifty, Sav-On and Clark drug stores have capitalized on.

A chain drug manager said: "Vons dropped 5% in sales the first week, but after that, the supply situation improved." A Vons executive confirmed, saying: "We have been getting stronger every day and are now experiencing few shortages."

A store manager reflected widespread opinion when he said, "Sales of nonfood items are up, but it is hard to determine how much of the increase is due to the strike and how much to Christmas sales."

Because so few supermarkets have pharmacies, it is difficult to get a fix on that aspect of the strike. Vons operates pharmacies in some of its food/drug Value Centers but won't comment on any fall-off in prescriptions. Other drug stores have not noticed any increase in prescriptions transferred from Vons Value Centers.

Bergen Brunswig to acquire Berry

ORANGE, Calif. — Bergen Brunswig, the nation's second largest drug wholesaler, has signed a definitive agreement to acquire Berry Wholesale Drug Co., a $50 million company headquartered in Antioch, Tenn., for an undisclosed amount of cash.

The acquisition will strengthen Bergen Brunswig's presence in Tennessee and also add a 46th warehouse to its distribution network.

Emil P. Martini, chairman and ceo of Bergen Brunswig, said, "Berry's existing coverage extends over a radius of 150 miles from Nashville and associates well with the Davis Bros. Memphis location acquired last June." In addition to Tennessee, the Berry acquisition will add service areas in Kentucky and Alabama.

In the three months ended Nov. 30, Bergen Brunswig's net earnings increased 15% to $62 million on sales and other revenues of $760 million, a 54% gain.

FTC will permit two Vaseline claims

WASHINGTON — Chesebrough Pond's Inc. will be allowed to make two therapeutic claims for Vaseline, the Federal Trade Commission (FTC) said last month.

The commission partially modified a 1963 order which prohibited Chesebrough Pond's Inc., maker of Vaseline petroleum jelly, from making several "false and deceptive" claims about Vaseline's "use and effectiveness."

However, based on reports from the Food and Drug Administration's OTC review program, Chesebrough Pond's Inc. will be permitted to claim that Vaseline "provides a protective barrier to the skin" and is "effective for relief of itching."

The FTC also modified the order to allow the New York-based company to make "limited claims" about Vaseline's beneficial effects, and to compare Vaseline's effectiveness to that of other products "as long as it has a reasonable basis consisting of competent and reliable scientific evidence."

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Vol. 8, No. 1 January 6, 1986

FoxMeyer may head east using Franklin as base

By Al Heller

DENVER — FoxMeyer will use its $27 million acquisition of Ben Franklin wholesale business as a possible springboard into eastern markets, said chairman William Tauscher. The deal was imminent at presstime.

He countered earlier industry speculation that the fast-growing wholesaler might not want to service the variety chain's easternmost stores—about 20% of its 1,629 store count.

Indeed, Ben Franklin's eastern region will account for 41% of the franchise network's remodeling efforts, and 44% of new store growth in 1986, Tauscher and Ben Franklin president Larry Kunz said jointly.

The eastern stores would presumably lead FoxMeyer into new markets for pharmaceutical distribution. "Once trucking costs are borne by the Ben Franklin network, we can distribute that way [by placing extra merchandise on the trucks]," said Tauscher, who'll stop short of using the variety network's warehouses for pharmacy distribution.

FoxMeyer's extended geographic reach will enable it to continue servicing major western retailers who expand eastward, and be more enterprising in developing new pharmaceutical customers in Ben Franklin markets, Tauscher said. "It's getting expensive to grow mostly by acquiring drug wholesalers," he added.

FoxMeyer last month signed an agreement in principle to buy the wholesale business of Ben Franklin for $27 million cash (plus about $2 million in working capital) from HMI Acquisition Corp., the group set to take the entire $5.4 billion Household Merchandising Inc. (HMI) private in a $905 million leveraged buyout. Earlier reports valued the LBO at about $700 million; the difference is working capital for seasonal inventory.

Both the LBO and the Ben Franklin spinoff were due to be concluded on or about Dec. 31, 1985, according to parties involved in both deals. Earlier last month, the LBO group obtained financing for its deal.

For its part, said Tauscher, FoxMeyer planned to use some of its $100 million in unused bank lines to pay for the acquisition.

Ben Franklin acts as a wholesale supplier to 1,329 franchise variety stores and 300 other accounts, principally drug stores.

It remained unclear at presstime whether FoxMeyer would retain an ownership share in 176 Vons supermarkets or 739 T.G. & Y. general merchandise and discount stores, HMI's largest components. Tauscher confirmed that key pharmaceutical supplier Eli Lilly & Company might not sell directly to the wholesaler if it becomes part owner of a retailer that operates pharmacies—"even though we'd only have a 10% interest in them, and they total only 30 pharmacies," he said.

"If Lilly objects, we'll flip our investment to someone else who's already waiting for it," Tauscher said.

Ben Franklin has an unspecified number of pharmacies in its network, but they're owned and managed by individual store owners, he explained.

For all of FoxMeyer's involvement in the LBO from the start, the nation's third-largest drug wholesaler may

Continued on page 37

Rite Aid ordered to pay $1.3M in polygraph harassment suit

BALTIMORE — Rite Aid has been ordered to pay $1.3 million in damages to a former assistant drug store manager in Maryland who was allegedly harassed by chain officials after refusing to submit to a polygraph examination.

But at the same time, the state court of appeals agreed to reduce some $3.6 million in punitive damages to three other ex-Rite Aid workers who filed similar charges against the chain for violations of Maryland's statute restricting lie detector testing by private employers.

While the seven-figure damages awarded against the Shiremanstown, Pa.-based chain is local in nature and sets no precedent, it does underscore the potential importance to the chain drug industry of federal legislation pending now in Congress to outlaw workplace polygraph testing nationwide.

One federal bill already passed by the House Judiciary Committee and scheduled to reach the floor for a final vote this month would provide a partial exemption for drug chains and other distributors of controlled substances. Under that compromise measure, chains would be permitted to require employees suspected of wrongdoing to undergo polygraph testing.

A spokesman for Rite Aid characterized that House bill as "half a loaf," adding that the chain supports efforts by the National Association of Chain Drug Stores to secure a broader exemption for the industry. (A companion bill—without any exemption for drug retailers—has already been introduced in the Senate by Labor Committee Chairman Orrin Hatch, R-Utah.)

Unlike a number of states with antipolygraph legislation on the books, Maryland does not prohibit employers from asking workers to submit to such testing. However, the state law does bar employers from retaliating against workers or job applicants who refuse to submit to lie detector exams.

The assistant Rite Aid store manager who was awarded the $1.3 million judgment by the court alleged that she was subjected to intentional emotional distress by the company (including a reduction in her work hours and a transfer to a distant store location) following her refusal to undergo lie detector testing with respect to inventory shortages.

The three other ex-Rite Aid employees who were originally awarded $3.6 million in damages had that judgment reversed by the appeals court.

But the court did uphold the earlier finding that all three were discharged after refusing to submit to polygraph testing.

Fotomat buys Pay Less' Oregon photofinishing lab

ST. PETERSBURG, Fla. — Fotomat Corp. has purchased Pay Less NW's 35,000-sq.-ft. photofinishing lab in Salem, Ore., for an undisclosed sum. Fotomat will now service all Pay Less drug stores in the Pacific Northwest and California.

The sale to Fotomat aborts Pay Less' earlier plans to operate its own photofinishing labs. Pay Less purchased the Salem facility from Drewry Photocolor Inc., in 1981, to service its 80 stores in the Pacific Northwest.

Two years ago, Pay Less evaluated opening a second photo lab—this one in northern California—to service its 83 stores there.

"However," John Gross, vp-controller for Fotomat, told *Drug Store News*, "We were able to demonstrate to Pay Less that we could do a quality job with good service and more favorable prices—and without the capital investment."

As a result, Pay Less dropped its plans for a second lab and sold the Salem facility to Fotomat.

In addition to Oregon, Fotomat operates labs in Connecticut, New Jersey, Ohio, Georgia, Texas, Illinois and California. Outside of two very large labs (for enlargement and reprints), the others—specializing in roll film—are in the 35,000-sq.-ft. range. In fiscal 1985 (ended Jan. 31, 1985), Fotomat had revenues of $181 million.

FINANCIAL

Peoples revenues climb

MONTREAL — Peoples Drug Stores reported that revenues climbed 44% to $852.7 million in the six months ended Sept. 30, 1985. Operating earnings during that same period rose 8% to $24.5 million.

The 809-store chain registered comp store sales gains of 6.4% for the six months.

In addition, the company completed its consolidation of Rea and Derick stores in the Harrisburg, Pa., market and changed all stores to the Peoples name, it said.

Peoples also opened its new distribution center in Fredericksburg, Va., and said it will be operating fully in the spring when it closes its warehouses in Alexandria and Richmond, Va.

Its sister company, Shoppers Drug Mart, another division of Imasco U.S., reported a 13% systemwide sales climb to $735.5 million in the six months.

Corporate revenues from these retail operations rose 15% over a year ago to $36.3 million. Operating earnings also were up 15%, to $20.5 million.

Genovese earnings improve

MELVILLE, N.Y. — Although Genovese reported a drop in earnings for the third quarter ended Nov. 8, company officials noted that the figures represented a substantial turnaround from a second-quarter loss.

"We're back in the black. We feel the worst is behind us," said Don Gross, vp-marketing and distribution.

In the 12-week third period, net income fell to $156,000, or 4¢ a share, from $774,000, or 19¢ a share, in the same period last year.

Sales for the period increased slightly to $51.5 million from $50.8 million a year ago.

Gross said the company anticipates a good fourth quarter—"not sensational"—and a much better 1986.

Medi-Mart sales grow

BOSTON — The Stop & Shop Companies reported that sales of its 67 Medi Mart Stores increased 10% for the third quarter ended Nov. 9, but comparable store sales rose only 2%, "below expectations."

That factor, along with the impact of an "aggressive" 14-store expansion resulted in what the company termed a "small negative contribution to profit."

Total corporate sales, which also includes those of the Stop & Shop supermarkets and Bradlees department store company, increased 19% in the 12-week third quarter to $865 million. Net earnings fell to $4.7 million from $7.7 million.

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 11/27/85 - 12/11/85							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Previous 12 Months Change								Last Fiscal Year			Last Fiscal Year (Per Share)	
					Change		52-Week						Last Fiscal Year	Amt.		5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Indicated Dvd. rate		Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days			Pct				Amt.	Yield						
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	64.75	59.25	63.25	-1.25	-1.94	68.25	36.63	-.40	.72	3.51	4.90	5.71	.86 N	19.5	34.0	1.5	12.0	.84	1.3	12-09-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	17.00	16.00	16.25	.25	1.56	17.63	15.00	-.19	-.84	-1.57	.00	1.26	.12 S	9.9	5.0	1.1	12.2	.72	4.4	07-15-85	66.1	.7	1.7	13.77	18.84
Big B	BIGB	14.38	13.63	14.38	1.00	7.48	19.50	10.63	-.36	.35	4.24	-16.45	.68	.11 N	18.0	19.0	3.0	20.0	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	4.50	4.13	4.13	-.38	-8.33	6.13	3.38	-.20	-.89	3.84	31.37	.35	-.12 Q	-24.0	NC	1.2	10.9	.60	14.5	05-09-85	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	30.88	30.25	30.63	.25	.82	32.88	20.00	-.09	.04	.78	-10.22	-.22	-2.61 Q	-100.0	NC	-.3	NE	1.04	3.4	09-09-85	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	8.88	8.13	8.63	.00	.00	13.00	8.00	-.08	-.80	.41	10.11	.62	-.32 N	-48.5	30.0	2.4	25.4	.20	2.3	09-23-85	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	11.75	10.50	11.38	.88	8.33	15.88	9.13	.08	-.24	-2.40	-1.65	1.03	.07 S	6.8	40.0	1.9	10.3	.20	1.8	09-24-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	31.00	29.75	30.75	.50	1.65	31.13	21.63	.21	-.05	3.32	-15.65	1.88	.10 N	5.5	10.0	2.9	15.9	.72	2.3	08-27-85	1375.8	40.1	2.1	.00	12.23
Medicare Glaser	MGCO	4.50	4.00	4.25	-.50	-10.53	6.25	3.50	-.52	.94	-1.02	14.37	.05	-.38 *	-88.4	NC	.2	85.0	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Perry Drug	PDS	18.63	17.75	18.00	-.38	-2.04	18.75	10.75	.06	-.76	-.08	-10.53	.84	.09 N	11.0	14.0	2.1	19.8	.19	1.1	09-11-85	370.3	7.6	1.5	1.60	7.07
Revco Drug	RDS	26.75	24.75	25.75	-1.00	-3.74	29.50	22.63	-.48	-.58	2.15	23.83	1.06	-1.61 Q	-63.9	-1.0	1.6	28.3	.80	3.1	08-19-85	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	25.25	23.50	24.63	1.00	4.23	33.50	21.50	-.09	-.30	-2.23	-12.33	1.69	.13 S	8.2	9.0	4.8	14.4	.50	2.0	10-07-85	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	24.63	23.13	24.38	1.25	5.41	24.63	18.13	-.13	.17	-5.75	18.22	1.60	.20 F	14.3	16.0	2.3	15.2	.60	2.5	05-06-85	1404.9	31.9	1.5	4.46	7.72
Walgreen Co	WAG	28.38	26.25	26.88	-.63	-2.27	30.25	21.38	-.01	-.72	-2.20	7.58	1.53	.14 F	10.1	21.0	3.0	17.6	.50	1.9	11-05-85	3161.9	94.2	1.7	.87	6.76
Wholesaler's transactions																										
Bergen Bruns	BBCA	31.25	28.75	31.25	1.63	5.49	32.38	21.38	-.22	1.32	-1.71	4.53	1.91	.34 F	21.7	16.0	1.0	16.4	.32	1.0	10-28-85	2434.9	24.2	1.7	11.68	12.68
Bindley Wstn	BIND	8.63	8.13	8.50	.13	1.49	15.00	7.75	-.97	.96	2.77	-11.32	.73	.15 N	23.4	23.0	.8	10.8	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	19.25	18.00	19.00	.75	4.11	19.25	11.13	.24	-.39	1.25	-52.56	1.01	.21 S	23.1	NC	1.2	17.0	.08	.4	10-08-85	320.0	3.7	1.7	.94	8.85
Durr Fillauer	DUFM	13.25	12.38	12.63	.25	2.02	15.25	9.25	.87	-1.05	-3.60	-31.80	.74	.07 N	9.9	14.0	1.7	16.2	.14	1.1	07-01-85	341.7	5.8	2.3	1.21	6.05
Foxmeyer Cp	FXM	24.63	23.63	24.25	.25	1.04	29.75	21.00	-.16	-.25	.44	-5.71	1.56	.02 S	1.3	26.0	1.3	15.4	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51
Ketchum	KCH	20.13	17.25	20.13	1.88	10.27	22.97	13.47	-.45	2.19	-3.81	18.53	.56	.14 S	35.0	NC	.2	37.3	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	51.75	50.50	51.25	-.13	-.24	51.88	37.00	-.01	-.36	-2.19	-20.75	3.60	.02 S	.5	-1.0	1.3	13.6	2.40	4.7	11-25-85	4887.1	65.0	1.5	12.99	30.40
Moore Med	MMD	21.75	20.50	20.75	-.25	-1.19	22.50	8.81	-.21	-.89	-3.46	2.51	1.02	.45 N	47.4	18.0	2.9	14.8	.00	.0	05-23-85	115.4	3.3	3.3	2.45	5.25
Owens & Minor	OBOD	17.13	16.75	17.13	-.75	-4.20	17.88	8.00	.68	.02	5.60	17.70	.95	.23 N	26.1	16.0	1.2	15.4	.28	1.6	09-10-85	306.7	3.6	3.0	5.35	8.54
Manufacturer's transactions																										
Abbott Labs	ABT	64.88	60.63	64.63	2.38	3.82	64.88	39.88	-.01	1.01	-2.59	12.94	3.34	.52 N	16.3	17.0	13.0	17.4	1.40	2.2	10-08-85	3104.0	402.6	1.9	3.91	13.33
Am Home Prod	AHP	64.75	61.50	63.63	2.13	3.46	66.88	50.13	.11	-.11	-2.59	-6.98	4.39	.26 N	6.0	11.0	15.1	13.9	2.90	4.6	11-06-85	4485.5	675.6	3.4	.26	13.74
Baxter Travenol	BAX	16.00	14.50	15.88	.75	4.96	16.88	12.38	.53	.30	3.50	6.99	.21	-1.06 N	-82.8	-25.0	1.6	72.2	.37	2.3	09-09-85	1800.4	29.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	23.50	21.00	21.00	-1.00	-4.55	23.50	14.56	-.04	-2.77	-2.44	44.23	1.70	.20 S	12.5	11.0	10.5	11.7	.49	2.3	12-03-85	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	17.38	15.75	16.38	-.88	-5.07	22.63	11.50	.27	-1.56	-3.92	-14.73	.61	.10 N	17.2	22.0	18.2	24.1	.03	.2	08-06-85	29.1	5.3	7.5	.00	3.70
Bristol-Myers	BMY	65.88	63.38	65.38	.13	.19	66.50	49.00	.17	.14	-1.82	-1.83	3.45	.42 N	12.5	14.0	11.3	17.3	1.88	2.9	09-30-85	4189.4	472.4	2.5	.75	15.63
Carter-Wallace	CAR	50.75	46.00	49.38	3.50	7.63	50.75	24.75	.07	-.25	-4.38	-7.51	2.66	.77 S	30.1	21.0	5.9	14.8	.60	1.2	11-01-85	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	30.38	28.63	29.75	.75	2.59	32.50	13.25	.10	-.31	1.28	-4.17	.73	.36 S	67.9	15.0	17.4	33.4	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	13.38	10.13	13.38	3.13	30.49	13.38	8.38	.13	1.63	4.67	-29.07	.00	-.12 N	-85.7	NC	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	11.38	10.00	11.13	.13	1.14	12.75	7.13	.98	1.75	2.38	38.19	.61	-.21 N	-33.9	47.0	14.6	27.1	.00	.0	09-09-85	151.1	22.1	3.4	2.52	1.60
Lilly Eli Co	LLY	108.50	100.50	107.88	4.13	3.98	108.50	64.38	.19	1.20	.37	1.99	6.73	.57 N	8.6	10.0	15.8	14.9	3.20	3.0	11-08-85	3109.2	490.2	1.7	1.63	31.04
Lee Pharm	LPH	8.88	7.63	7.88	.00	.00	9.63	2.50	.42	-1.37	4.59	14.54	.13	.62 N	NE	NC	6.2	21.9	.00	.0	00-00-00	8.1	.5	3.0	.20	1.73
Marion Labs	MKC	46.25	43.75	44.75	-1.25	-2.72	46.25	19.06	.14	-.41	-2.38	-42.43	.94	.39 Q	56.5	36.0	12.2	41.4	.36	.8	12-16-85	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	134.50	128.00	134.25	4.25	3.27	134.50	90.00	.22	.41	-1.33	-8.75	6.71	.71 N	10.9	6.0	13.8	18.5	3.60	2.7	12-03-85	3559.7	493.0	2.0	2.48	35.29
Morton Thiokol	MTI	40.00	34.13	39.25	4.13	11.74	40.00	25.38	.18	1.42	-1.85	10.96	2.50	.29 Q	12.8	21.0	6.7	15.4	.70	1.8	11-18-85	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	20.00	18.50	18.50	-.13	-.67	26.00	11.50	.53	-1.10	1.69	-8.20	.52	.38 S	115.2	64.0	23.3	26.1	.05	.3	02-19-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	13.88	11.25	13.00	1.88	16.85	13.88	5.38	.24	-1.77	4.13	-34.16	.05	.15 Q	NE	NC	6.7	NE	.80	6.2	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	20.25	18.25	18.25	.00	.00	23.25	8.50	.27	-.51	.17	-25.94	.42	-.05 F	-10.6	80.0	12.7	43.5	.00	.0	00-00-00	21.3	2.7	3.3	.00	1.84
Pfizer Inc	PFE	54.38	51.50	53.50	.13	.23	54.38	37.63	.24	.13	-1.45	-20.59	3.08	.37 N	12.3	15.0	13.2	15.8	1.48	2.8	07-26-85	3854.5	507.9	2.3	2.10	15.45
Reid Prov Labs	REID	5.50	5.00	5.50	.50	10.00	6.63	3.00	.07	1.18	3.40	17.16	.13	.02 Q	16.7	26.0	6.0	39.3	.04	.7	12-10-84	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	11.75	11.00	11.50	.38	3.37	24.38	5.50	-.18	.41	-6.11	17.24	-18.44	-18.79 N	-100.0	NC	-73.0	NE	.00	.0	11-19-84	631.9	-461.6	1.7	.47	-5.23
Rorer Group	ROR	38.25	33.63	35.75	.75	2.14	47.00	24.00	-.78	-1.59	2.34	-8.47	2.08	-.04 N	-1.9	4.0	8.5	17.5	1.12	3.1	11-04-85	522.1	44.3	1.9	2.18	11.07
Scherer RP Co	SCHC	14.25	13.75	14.00	.25	1.82	14.25	8.75	.35	-.71	3.04	-32.45	-.43	-.96 S	-100.0	NC	-2.0	NE	.32	2.3	12-09-85	167.4	-3.4	1.7	4.07	9.72
Squibb Corp	SQB	80.25	78.00	79.38	.75	.95	80.25	49.75	.16	-.31	-1.16	1.74	3.68	.46 N	12.9	21.0	10.5	19.7	1.76	2.2	11-08-85	1886.0	197.2	2.3	3.74	24.87
Sterling Drug	STY	39.00	36.50	37.00	-2.00	-5.13	41.38	26.75	.01	-.36	-.82	-15.80	2.37	.13 N	5.6	4.0	7.8	15.0	1.20	3.2	11-07-85	1827.3	143.4	2.6	1.32	15.34
Syntex Corp	SYN	86.25	81.00	85.75	2.63	3.16	86.25	46.25	.42	.45	.32	-21.10	4.65	1.11 Q	27.8	15.0	15.8	16.8	2.40	2.8	11-12-85	948.5	150.0	2.1	5.36	18.81
Thompson Med	TM	14.75	13.75	13.88	-.50	-3.48	18.38	11.75	-.18	-1.29	-1.56	2.08	2.20	-1.04 N	-46.0	15.0	10.8	11.4	.40	2.9	09-24-85	197.2	21.2	4.3	.00	7.09
Upjohn Co	UPJ	141.50	126.38	130.75	-7.13	-5.17	141.50	66.75	.12	-1.31	1.39	-11.94	5.67	.39 N	6.9	1.0	8.0	21.6	2.80	2.1	09-27-85	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	45.38	43.25	45.13	1.38	3.14	46.50	33.38	.43	.20	1.08	-1.89	2.81	.27 N	9.7	7.0	7.1	14.8	1.56	3.5	11-04-85	3166.7	223.9	1.7	6.47	18.18
Zenith Labs	ZENI	27.00	25.25	25.88	-.38	-1.43	29.50	6.09	-.06	-.53	-1.33	-2.71	.28	.97 N	510.5	89.0	7.7	22.3	.00	.0	06-19-85	37.5	2.9	2.6	.27	1.99

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes: NA - Not Applicable; NC - Not Calculable; NE - Negative Earnings; NM - No Meaningful Figure; Q - First Quarter; S - First 6 Months; N - First 9 Months; F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

1986 Drug Industry Forecast

Rest of decade will be tough, execs predict

Drug industry executives expect 1986 to set the tone for the rest of the decade, and they aren't smiling too much.

Chairmen and presidents were among managers from the nation's major chains, wholesalers and high-volume independents who told *Drug Store News* researchers that this year would be one of intensified price competition, bound to squeeze margins and after-tax profits.

Store expansion, they said, will focus more now on conversions and renovations of existing sites, as prime locations become harder to find.

And more than ever before, drug retailers will look to cut expenses to the bone as one strategy to extract more profits from sales that are tougher and tougher to get.

The upper management respondents also forecast greater use of point-of-sale scanning at stores nationwide, as executives eye a tighter rein on operations, and use technology to firm their grasp.

In addition, 85% said that more drug stores will enter the home health care arena despite high initial costs and labor intensiveness.

These were among major findings of a national industry poll conducted recently by Lebhar-Friedman Research for *Drug Store News*. A total of 905 surveys were sent to the industry's movers and shakers, asking them to forecast the economic and business environment in which they'll attempt growth and the steps they'll take. Responses from 88, or 9.7% of those targeted, represent the opinions of the nation's major chains, independents and wholesalers.

Their predictions were made against the backdrop of reduced inflation (which wipes out some built-in sales gains but builds real consumer buying power), lower interest rates (which could ease the cost of expansion) and stable unemployment rates.

Despite such positive signs in the current economy, drug industry executives weren't entirely happy about prospects for 1986.

Only 15% of those polled felt "positive" about the economic outlook this year. Many indicated probable gains or stability in inflation, taxes, interest rates and unemployment, with few expecting these indicators to improve.

Only gross national product and stock prices as a whole were predicted by most to move in a favorable direction.

Such gloom-and-doom feelings didn't pervade their forecasts for the retail drug industry, however. More than four

Continued on page 10

Execs don't like economic outlook
(% Predicting favorable movement in key indicators)

	Total	Chain	Independent	Wholesaler
Gross national product	63%	69%	56%	56%
Stock prices	53	56	47	67
Unemployment	22	29	15	11
Prime rate	16	20	12	11
Individual tax	16	13	15	33
Corporate tax	14	16	12	11
Consumer interest rates	14	18	9	11
Inflation	2	2	3	—

Source: Lebhar-Friedman Research, 1985.

Deep discount potential to reach 20% drug sales

If you've just gotten a headache, chances are you're a drug chain executive who's just discussed deep discounting.

The merchandising phenomenon that's squeezed margin points out of the retail drug trade and brought despair to some conventional operators, isn't always liked. But it's never ignored.

Deep discounting has become such a force in many markets that 74% of executives surveyed by Lebhar-Friedman Research for *Drug Store News* agreed with the statement that "deep discounting will become increasingly important to the drug industry."

Indeed, industry estimates peg deep discounters' share of total retail drug sales at 3% currently, with the potential to eventually reach 20%.

Apparently, some doubt the depth of the deep discounter wallop, long term. Six out of 10 respondents felt that "deep discounting is part of a cyclical phenomenon and will eventually lose its steam." More chains (69%) agreed with that statement than did independents (53%) or wholesalers (44%).

Regardless, traditional drug chains in major markets have mounted competitive attacks to blunt the impact of deep discounters. (See Store Wars issue, Dec. 9, 1985). Strategies have varied from emphasizing service and low-cost prescriptions, to broadening assortments and converting traditional stores into deep-discounter formats.

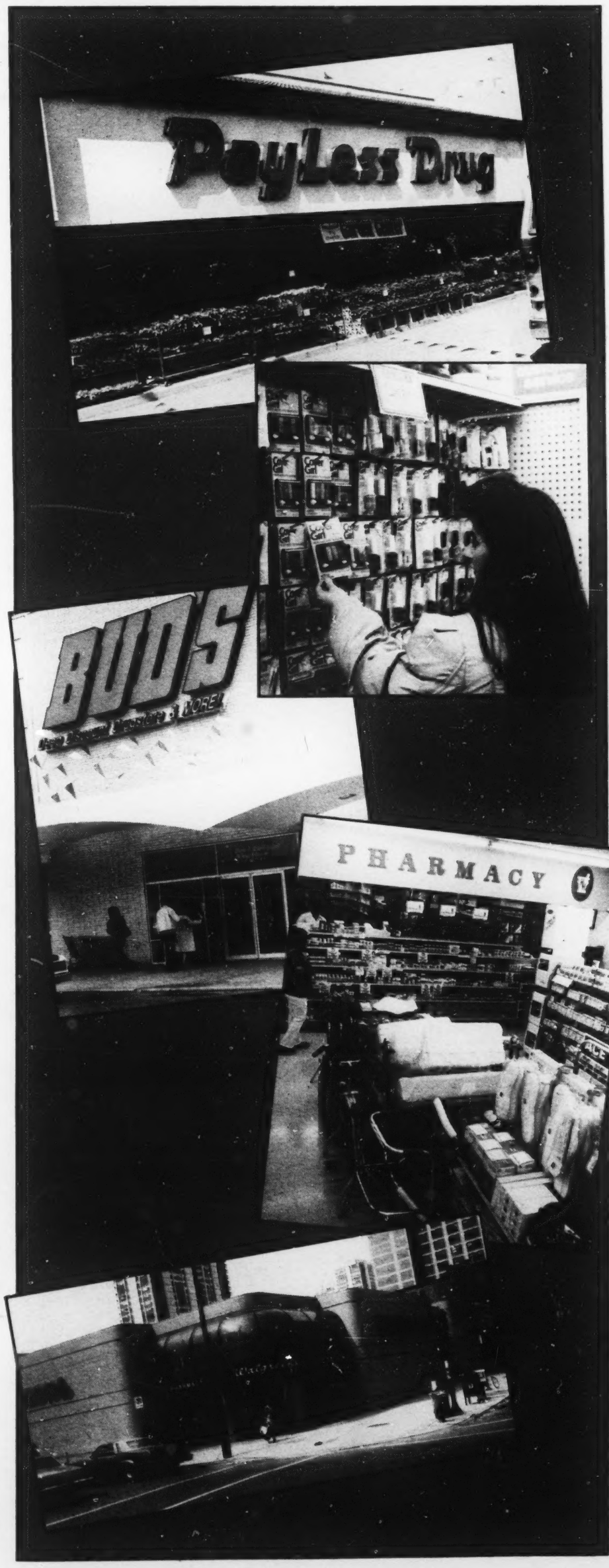
Such activities by major chains underlie the intense feeling with which 66% of total respondents said: "Traditional drug stores will not lower prices to compete with deep discounters; instead, they will rely more on nonpricing strategies."

Not surprisingly, a minority of respondents—49%—said that "deep discounting will become more important than convenient locations to consumers."

Is deep discounting here to stay?
(% Agreeing with statements)

Deep discounting will increase in importance.	74%
Traditional drug stores won't lower prices to compete.	66%
Deep discounting is cyclical and will lose steam.	60%
Consumers will shop for best deals at deep discounters.	49%

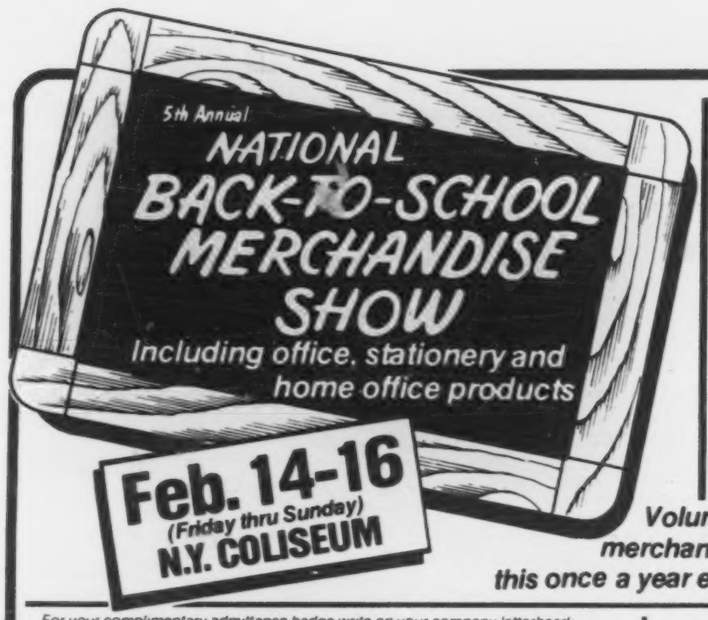
Source: Lebhar-Friedman Research, 1985



Execs forecast own companies' performance
(% Predicting favorable movement in 1986 financial stats)

	Total	Chain	Independent	Wholesaler
Total sales/revenues	81%	84%	74%	89%
Earnings per share	66	69	59	78
Shareholder equity	65	69	56	78
Return on equity	60	69	50	56
Net profit pretax	57	67	50	33
Current asset/liability ratio	55	47	59	78
Gross profit margin	38	40	41	11
Long-term debt to capitalization ratio	36	38	38	22

Source: Lebhar-Friedman Research, 1985.



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1986 Forecast

Most are positive about prospects for their firms

Continued from page 9

times as many respondents—64%—rated prospects for their own companies as "positive."

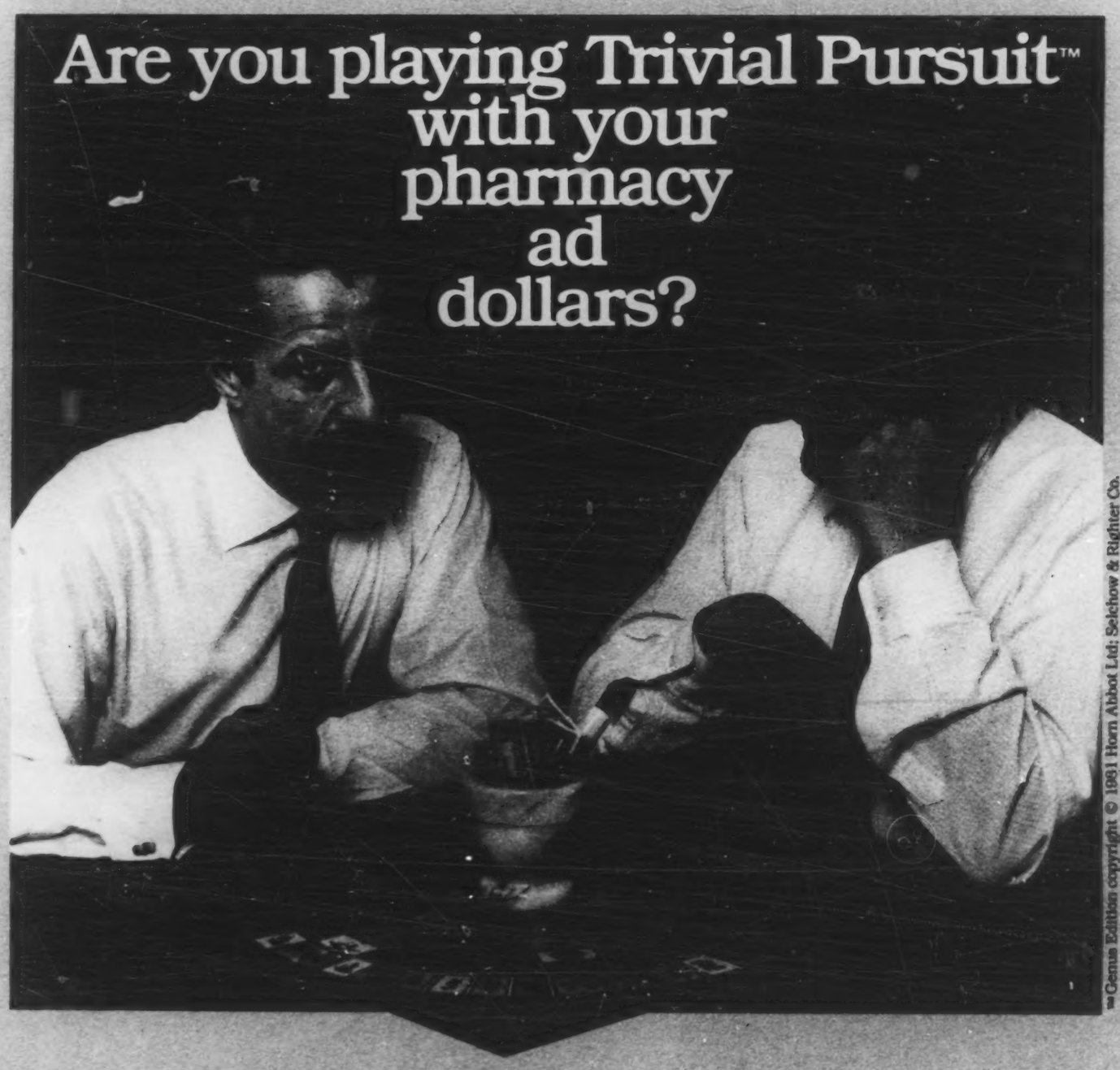
Notably, the opinions of chairmen, presidents and chief financial officers were consistently more conservative than others polled in evaluating their own companies' chances to grow and improve in 1986. Conversely, top management felt better about the national economic outlook than others polled.

The majority of all respondents expected that retail drug companies would remain good investments and that their own companies' financial statements would improve this year.

An impressive 81% believed their sales and revenues

Continued on page 11

To Brand Pharmaceutical Companies and Their Ad Agencies:



The retail pharmacy game is tough, and it's going to get a lot tougher. The rules are changing, there are more players than ever before, and the field is shifting:

- A flood of generic imitators are available at bargain basement prices.
- Patients are increasingly comfortable with substitution.
- Chains (drug, supermarkets and discount) are capturing an increasing share of pharmacy traffic from small community pharmacies.

The situation demands a realignment of priorities and new marketing strategies to protect your market share and assure future growth. Unless the right moves are made, yesterday's winners could wind up tomorrow's losers.

Clearly, it's time to go beyond the dependence on cpm "efficiencies" and syndicated research in selecting your pharmacy media. It's time to reassess the traditional scheduling of 2 or 3 community pharmacy-oriented magazines . . . time to include a publication targeting the new market makers.

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Competition to increase, execs say

The two sure things in drug retailing are taxes and increased competition.

And no one's missing the beat, according to findings of a national industry polling conducted recently by Lebhar-Friedman Research for *Drug Store News*.

Roughly 9 out of 10 drug chain executives polled agreed that in 1986, "Supermarkets, discounters and combos will continue to cut into drug retailers' market share."

They perceive encroachment in several areas: pharmacy, health & beauty aids and over-the-counter medication sales.

More than 9 out of 10—92%—predicted that H&BA sales will rise at more supermarkets and discounters this year. Similarly, 89% believe more of these competitors will add pharmacies to their stores and begin merchandising OTC products more aggressively.

Far fewer believed, however, that if H&BA sales were lost to these competitors, retail drug stores could make up for it by increasing sales of other non-traditional drug store items. Just 58% agreed with that possibility. Among chains, only 51% predicted this could happen; among independents, 71%.

The business that's more in the drug store bailiwick—prescription sales—was forecast to outpace sales of H&BA and OTC products by 69% of respondents.

1986 Drug Industry Forecast

Scanning, home health targeted for growth

Continued from page 10

would climb in 1986, and 71% predicted same-store sales gains. Moreover, 66% felt earnings per share would climb, and 65% thought shareholder equity would rise.

Their trepidation showed when just 42% predicted gains in after-tax profits, and fewer than one in five (19%) felt store profit margins could be escalated.

In a notable contrast, few top chain officials believed that same-store sales or after-tax profits would rise, while many more predicted that store profit margins would climb.

The responses from executives at large chains about financial projections were consistently more optimistic than those from independents. However, when asked about other industry trends, large chain responses were far more optimistic on only one point: store expansion.

Two out of three chain officials polled forecast growth in store counts, compared to 41% of independents and 33% of wholesalers; they were more likely to cite saturation in major markets as an inhibitor to such expansion.

Chains and independents generally agreed that any new retail drug stores wouldn't necessarily be larger than today's formats.

The consistent majority of chains, independents and wholesalers predicted that more unprofitable drug stores would close in 1986. They also felt more retailers would soon be making greater use of POS scanning. In addition, they predicted more involvement in home health care.

It's notable that 75% of executives polled agreed with the statement that "the bulk of drug companies' profits will come from drug store operations alone" in 1986.

This finding reflects the reliance by chain officials on the performance of their core business—drug stores—despite increasing diversification efforts into freestanding auto parts, stationery and home health care sites.

Execs forecast industry trends
(% Projecting increases in . . .)

	Total	Chain	Independent	Wholesaler
Home health care entry by drug chains	85%	82%	94%	67%
POS scanning at drug stores	81	82	77	89
Unprofitable store closings	64	58	71	67
New store openings	53	67	41	33
Size of new stores	36	27	44	56

Source: Lebhar-Friedman Research, 1985.

Execs wary entering 1986
(% Forecasting increases in . . .)

	Total	Chain	Independent	Wholesaler
Drug store comp sales	71%	76%	59%	89%
Aftertax profits	42	44	41	33
Store profit margins	19	24	15	11

Source: Lebhar-Friedman Research, 1985.

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MERCHANDISER

Blank videocassette sales bring high turns and more store traffic

Shoppers view blank videocassettes as a commodity and pay prices that typically yield no more than 20% gross margin every day and 15% on promotion at drug chains.

So what's the attraction? High turns, gross volume and store traffic apparently.

Typical retails are $4.99-$8.99 (often at the lower end) for name brands such as Kodak, Fuji, Scotch, JVC, Maxell, BASF, TDK,Polaroid and Sony. Drug chains often devote prime display space by front-ends and service photo and gift counters.

They're eying more than the appeal of brand names. Videocassette recorders are currently in fewer than 30% of American homes but are predicted to be in more than 7 out of 10 by 1990. VCR owners typically buy more than half a dozen blank cassettes annually, according to research by 3M, maker of the Scotch brand.

The manufacturer estimated that worldwide sales of half-inch blank videocassettes were 550 million units in 1985 and will grow to one billion a year by 1990. The U.S. portion of that will also double in size during the next four years, 3M said.

That's a growing market retail drug stores want to capture. If they don't make all the margin points they'd like on blank tapes, they're garnering profits by cross-merchandising video accessories such as head cleaners, cassette cabinets and dust covers.

At Austin Drug, for instance, an eight-store chain in affluent Long Island, N.Y., tapes are $4.99-$5.99 regular grade and $6.99 high grade. However, Austin also planograms Allsop three head cleaner at $12.99 and Discwasher at $11.95, both brands that found earlier followings at specialty shops. Austin also displays 24-cassette storage cabinets at $14.99.

Genovese sells different accessories to pick up margin

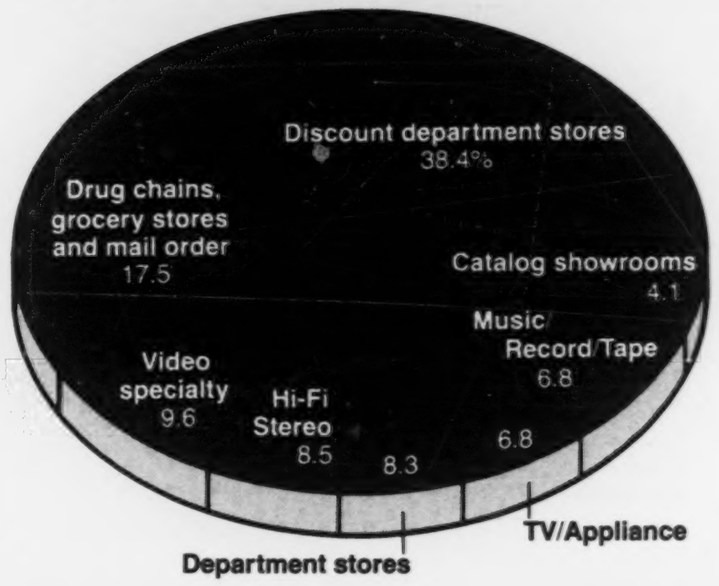
Continued on page 16

Tape formats sold
(in millions of units)

	1980	1985	1990
VHS	9.7	140.2	271.2
Beta	4.8	40.5	36.6
8mm	—	3.3	31.9

Source: 3M projections

Where blank videocassettes are sold



Source: 3M estimates

Video accessories such as $11.95-$12.99 head cleaners and $14.99 cassette cabinets are merchandised with blank tapes in pegged 6-ft. display at Austin Drugs, Plainview, N.Y.

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MERCHANDISER

Blank tape

Continued from page 15

points, such as a 3-pack of black plastic tape storage boxes at $4.49 and a fancier 4-pack that looks like library bindings at $9.99.

Gray Drug Fair sells more than half of its blank VCR tapes from all 450 stores on promotion at $4.99, but typically displays them every day in high-impulse, pegged self-service displays by checkstands at $6.99-$8.99, said Allan Cohen, merchandise manager-sundry.

Gray will add a third brand early in 1986 to the BASF and Polaroid it now carries, but Cohen hasn't decided yet how it will be positioned. "It could be step-up to a brand like TDK or Scotch, another midrange brand, or a label offering rebates such as Memorex," he said.

"I'm not sure customers are ready to pay an extra $1 for a particular brand, since they see tapes as commodity items," he added.

Sales of blank videocassettes
(for each VCR bought in 1985)

Year	No. of tapes
1985	8
1986	6
1987	5
1988	4
1989	4
1990	4

Source: 3M projections

The Electronic Industries Association predicts that U.S. consumers will have bought 11.5 million videocassette recorders in 1985.

Movie tapes need more variety

Continued from page 14

Bambi limited releases from Walt Disney at $24.99, compared to local video shop prices of $29.95. That reflects the chain's opportunistic approach toward sales of prerecorded cassettes, said vice president-marketing and distribution Donald Gross. "As promotions come up, we'll dump display them by the front-end," he said.

He felt sales of popular movies could develop if typical retails fall to the $20-$30 range. "There'll be a market very much like record collecting."

Meantime, he noted the low-priced public domain films have sold well. At the chain's store in Plainview, N.Y., which is within one block of two specialty video shops, two racks for prerecorded movies stood by the service photo counter: One had cartoons and Sesame Street 30-minute VHS tapes at $12.99; the other a mix of old movies, how-to exercise and professional sports highlights.

During Christmas, the chain promoted old movies at $8.88 as gift items in its flyers.

But even public domain isn't for everyone. Wellby merchandising director Margaret Matteson felt "some titles would sell well, but we didn't want to put up with the residuals."

She, like other drug chain merchants, view prerecorded tapes like any other general merchandise. "It's definitely not an offshoot of the rental business. Tapes have to perform to get more space, but people still don't think of movies as something they'd normally find in a drug store," she said.

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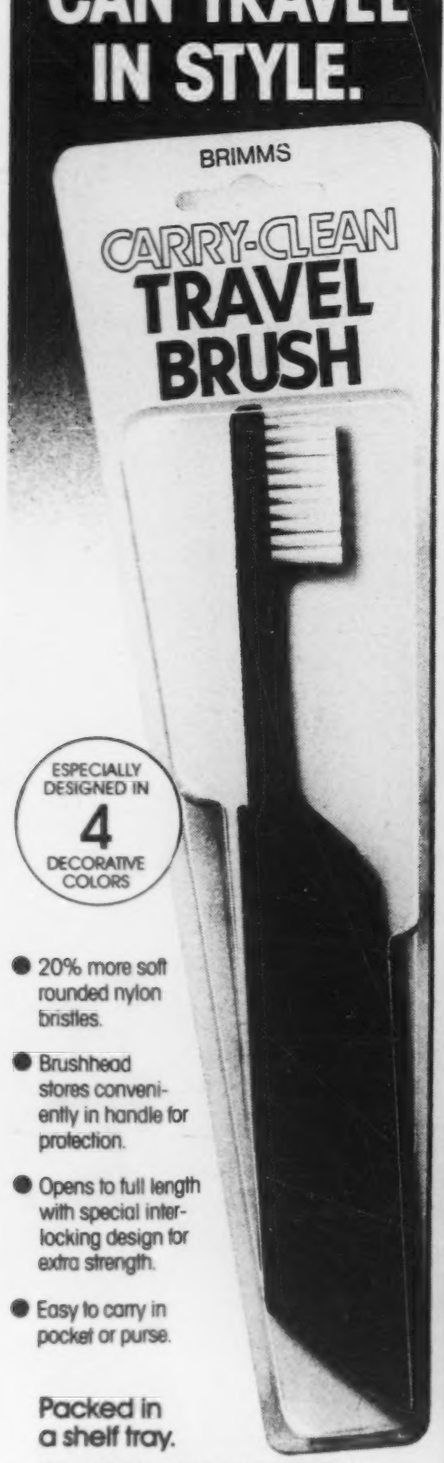
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INSIDE PHARMACY

Feds weigh Medicaid reimbursement plans

'CIP' offers generic incentive

WASHINGTON — Federal Medicaid program cost cutters are on the verge of scrapping their cumbersome "Maximum Allowable Cost" pharmacy reimbursement control system in favor of a revolutionary new approach designed to encourage drug stores to dispense lower-cost generic pharmaceuticals to the nation's indigent.

The latest MAC alternative to surface at the Health Care Financing Administration [HCFA]—a "Competitive Incentive Program" (CIP) designed to reward participating Medicaid pharmacies for substituting generic versions for brand name drugs—has already drawn a warm reception from drug retail, wholesale and pharmacy leaders at a recent HCFA briefing session.

Under the "CIP" approach, drug stores would bill Medicaid for prescriptions at their "usual and customary" retail price, less a special "government discount." But since the reimbursement level for multisource products would be the same regardless of whether the pharmacist selected a generic or brand name drug, participating Medicaid drug stores would have a strong built-in incentive to select the lowest cost version.

In fact, HCFA officials maintain that the disincentive for selecting more expensive brand name drugs would be so strong that "the pharmacist would almost always choose to dispense a generic product."

To ensure that pharmacists don't simply raise their Rx

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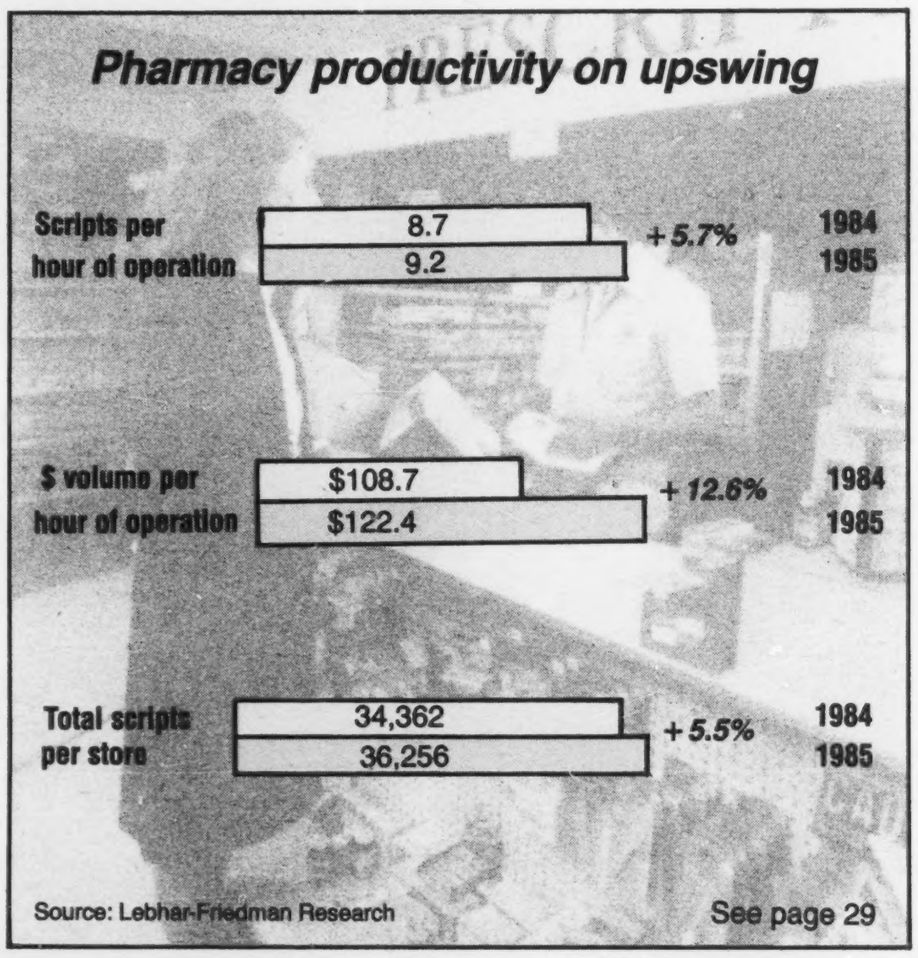


Searle and Merrell Dow aim for single pricing system

SKOKIE, Ill. — Two major manufacturers have recently announced changes in bidding procedures in response to industrywide accusations that the multitiered pricing of pharmaceuticals is one of the major causes of diversion.

The companies, Searle, headquartered here, and Merrell Dow, based in Cincinnati, say the changes were made to discourage, if not eliminate, diversion. Both contend they are aiming for a single pricing system.

These latest developments are part of an attempt among manufacturers to find a solution to the diversion problem, according to Jim Harrison, president of Harco Drug and chairman of the NACDS. "Manufacturers are as concerned about the problem as retailers and they are addressing it and trying to find an answer."

Both Searle and Dow have attempted to narrow the price gap between what hospitals and retailers pay for pharmaceuticals.

Searle's "single-price policy" applies only to retail trade packaged products sold to both wholesale and hospital accounts. The company said that bidding will continue for products packaged or labeled exclusively for hospital use, such as unit dose and injectables.

"With the new price structure, we are no longer going to provide wholesalers with the ability to discount products sold to hospitals that can also be sold at retail," said Alan Heller, director of field sales operations for Searle.

Continued on page 27

New Calif. law would require Rx consultation

SACRAMENTO, Calif. — An amendment about to be passed in California will give pharmacists a larger role in the delivery of health care by making patient consultation one of the services pharmacists must provide.

The amendment, which will become part of the state's pharmacy regulations, is now in the final stages of the legal process and it is expected to be passed by the California Office of Administrative Law "within the next few months," said Lorie Rice, executive officer of the California State Board of Pharmacy.

The regulation states that pharmacists must provide professional consultation "upon request or whenever the pharmacist deems it warranted in the exercise of his or her professional judgment."

The new regulation also requires drug stores to place a sign in the pharmacy notifying customers that professional consultation is available in addition to other services.

The directive follows the board's attempt several years ago to make patient consultation mandatory, but the proposal failed because of vigorous opposition from the state's chain drug stores, according to Rice. The word mandatory, according to chain execs familiar with the proposal, was considered inappropriate because it implied that pharmacists had to consult with every patient.

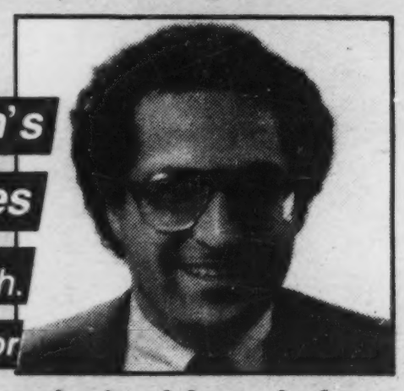
"The board feels that the

Continued on page 27

MAC change would beef up reimbursements

Cohen's Capsules

Harold Cohen, R.Ph.
Pharmaceutical Editor



HCFA's MAC program may be headed for the scrap pile of used government cost-containment pharmacy programs, and that's just fine with me.

For those not familiar with MAC, it is the Health Care Finance Administration's acronym for Maximum Allowable Cost, a preset reimbursement for a handful of highly prescribed drugs under the Medicaid program.

Since its conception, MAC's reimbursement limits have been adjusted to reflect price increases and the availability of a particular drug.

MAC was instituted in 1976 to help put a lid on pharmacists dispensing brand name drugs when "suitable," less expensive generics were available. Unfortunately, it also put a lid on the pharmacists' professionalism.

While I am sure the program saves the Medicaid program some money, it leaves no room for the pharmacist to be properly reimbursed by Medicaid for the myriad of services performed each time a Medicaid prescription is filled. These include such vital services as patient counseling and keeping accurate patient profiles.

Oh sure, there is a professional fee tacked onto each prescription billed to Medicaid, but as you are well aware, the fee is constantly the center of controversy because it does not reflect the true fee deserving of a health professional like the pharmacist.

Any increase of the Medicaid fee over the years was always given reluctantly and never without a fight. In my opinion, the fee was never increased because HCFA believed the pharmacist deserved it for the services he performs.

My government sources tell me that the situation may be changing and MAC may soon be history. There is talk it may be replaced with a more realistic fee structure closer to a pharmacist's usual and customary fee for filling a prescription.

One program being discussed would offer pharmacists an incentive for dispensing a generic over a branded drug. This would give the pharmacist the opportunity to choose a generic when he or she thinks it's needed. Under such a program, dispensing of certain generics as mandated by the current MAC program would be eliminated.

I endorse *any* plan that allows the pharmacist to make his own professional decisions. This may be hard for officials at HCFA to believe, but not all pharmacists are driven by the almighty dollar. Many actually want to practice pharmacy in the most professional manner possible and get paid properly for their services.

I'm encouraged that some people in government have come to realize that pharmacists deserve better than they are getting.

I'm not going to miss the MAC program, because, in my opinion, there is just no beef in pharmacy's BIG MAC, never was and never will be.

Rx/OTC news

PHARMACY

Script profits slip as third-party increases

Prescription gross profit margins in chain drug stores slipped 1.5% in 1985 as the number of third-party prescriptions rose almost 21%.

According to a study conducted by *Drug Store News*, the increase in third-party participation by chain retailers had an adverse effect on their bottom line. Pharmacists saw a decrease from 35% to 34.5% in their gross margins. The decrease cost the average chain retailer over $2,000 in gross profit dollars for the year.

Overall, third-party prescriptions accounted for an average of 27.9% of chain drug store total pharmacy sales, up 2.2% from last year.

A major reason for the lower profitability is the fixed fee reimbursement mandated by most third-party providers. This fee is usually below the usual and customary retail price for the same prescription filled for a cash customer.

Pharmacy operations overview

	1984	1985	% growth
Rx dept. annual sales	$445,960	$492,133	+10.4%
Gross profit dollars	$156,086	$169,786	+ 8.8
Average Gross margin	35%	34.5%	− 1.5
Average retail Rx price	$12.85	$13.26	+ 3.2
Scripts filled/year	34,362	36,256	+ 5.5
Average store sales that are Rx	29.5%	30.4%	+ 3.1
Average $ transaction per customer	$18.29	$19.34	+ 5.7
Average No. of third party plans	9.2	11.1	+20.7
Average % of Rx sales from third party scripts	27.3%	27.9%	+ 2.2

Source: Lebhar-Friedman Research

Employment Profile

	1984	1985
Staff pharmacist's salary	$30,705	$32,501
Rx Department manager's salary	$31,415	$33,346
No. of days worked per week		
Full-time pharmacists	5.2	5.2
Part-time pharmacists	2.5	2.5
Hours worked per week (full-time)	44.2	43.68
Hours per week dept. is open	79.1	78.1
Number of pharmacists per dept.		
Full-time	1.9	1.9
Part-time	0.9	0.9
Number of technicians per dept.		
Full-time	1.4	1.4
Part-time	1.7	2.1

Source: Lebhar-Friedman Research

Analysis of prescription inventory

	1984	1985	% Change
% inventory investment at cost	$41,285	$44,815	+ 8.6%
% of inventory delivered from manufacturer			
Directly to company warehouse	13.9%	14.8%	6.5
Directly to store	9.6	8.7	−10.3
% of inventory delivered from wholesaler			
Directly to company warehouse	14.8	16.9	+14.1
Directly to store	61.0	58.7	− 4.0
Inventory through a diverter	0.7	0.9	+29.0
% of generics purchased:			
At headquarters	19.5	25.3	+30.0
At store level	80.5	74.7	− 8.0
Inventory Turns	7.5	8.0	

Source: Lebhar-Friedman Research

Productivity and script counts

	1984	1985	% Growth
Scripts filled per hr of operation	8.7	9.2	+ 5.7%
$ volume of scripts filled per hr	$108.7	$122.4	+12.6%
Scripts filled per day by			
Full-time pharmacists	79.6	84.3	+ 5.9%
Part-time pharmacists	41.1	43.1	+ 4.9%
Total scripts filled annually	34,362	36,256	+ 5.5%
New	16,035	17,037	+ 6.2%
Refills	18,327	19,219	+ 4.9%

Source: Lebhar-Friedman Research

The study showed that the proliferation of third-party programs has forced many chains into computerizing their pharmacy departments.

There was a marked increase in the number of pharmacies with computer systems in 1985. Sixty-four per cent of all chains surveyed said they were equipped with computers. This represents a 15% increase from the previous year. By the end of 1986, the study projected that over 76% of all chain drug store pharmacy departments will be filling prescriptions with the use of a computer.

Sales

While gross margins were down in 1985, prescription department sales showed an increase of 10.4% over the previous year. Retailers reported average prescription department sales of $492,133, up almost $50,000 from 1984.

Despite the increased sales, the average prescription price held fairly steady, rising only 41¢ to $13.26, a modest 3% increase over last year. Increased prescription sales resulted primarily from increased volume in chain pharmacies. According to the study, chain pharmacies filled an average of 36,256 prescriptions in 1985, up 5.5% over 1984.

The retailers said prescription sales accounted for approximately a third of total store sales, less than a 1% increase, and that the average chain store customer was spending more with each transaction. According to the study, the consumer visiting a chain drug store spent an average of $19.34 on each transaction at the pharmacy register, up 5.7%.

Inventory

The study also revealed that chain retailers are changing the way they purchase their drug inventory. In 1985, there was an average increase of 14.1% in prescription inventory purchased from wholesalers and delivered to the warehouse. Although the study showed an increase in the amount of drug inventory going to the warehouse, the majority (58.7%) of drugs purchased from wholesalers are still shipped directly to the store.

In regard to inventory purchased direct from the manufacturer, retailers said they are warehousing more in that area, as well. The study showed a 6.5% increase in merchandise shipped to warehouses direct from manufacturers. The bulk of those drugs go to the chains' warehouses.

Overall, the average prescription inventory carried by drug chains was up 8.6%, to $44,815. Less than 1% is bought from diverters, according to the study.

Generic Inventory

In the area of generics, there was a clear indication that while the pharmacist at store level is still the decision-maker on what generics are purchased, his purchasing authority has eroded in the past year.

According to the survey, 25.3% of generic purchases were made at headquarters, compared to 74.4% at the store level, but headquarters' purchases were up 30%.

Chain retailers reported that average turns in the prescription department were up to eight times compared to 7.5 last year, indicating tighter purchasing controls and fewer sku's.

Chains boost Rx productivity

NEW YORK — Productivity in chain drug store pharmacy departments increased at a healthy clip in 1985, as the number of scripts dispensed per hour by a pharmacist rose 5.7% to 9.2, compared to 8.7 in 1984, according to the latest *Drug Store News* pharmacy operations survey.

In line with the gains in scripts dispensed per hour, the prescription dollar volume filled per hour rose 4.9% to $122.40—a $13.70 increase per hour over 1984.

Moreover, the number of scripts filled per day by a full-time pharmacist in a chain drug store rose to 84.3—up 5.5% over 1984. And, similar increases in productivity were also tallied for part-time pharmacists. The number of scripts filled per day by part-time pharmacists rose 6.2% to 43.1.

Overall, the chain drug stores were dispensing 1,894 more scripts in 1985 compared to 1984. The total number of scripts filled annually shot up 5.5% to 36,256 last year, compared to 34,362 in 1984.

And, pharmacy is in no danger of going out of business. The number of new scripts dispensed in 1985 increased a healthy 6.2% to 17,037, while the number of refills increased 4.9% to 19,219 in 1985.

The surge in the number of new scripts last year was due to the flurry of new product introductions, to the larger number of elderly patients in the population requiring medications and, to an increasing extent, the new cost containment programs such as DRG's which are shortening hospital stays.

Much of the productivity gains in chain drug store pharmacy departments can be attributed to the increasing number of outlets with pharmacy computers.

According to the survey, nearly 64% of chain drug stores were equipped with pharmacy computers in 1985, whereas only 48.7% of the chains had computer access in 1984.

In 1986, the survey projects that 75% of chain drug stores will have pharmacy computers.

Because of computer technology, the study revealed that pharmacy departments were able to increase productivity while cutting back on the number of hours the department is open. For example, the number of hours per week the pharmacy department was open in 1985 was 78.1, compared to 79.1 hours in 1984.

C5150-2

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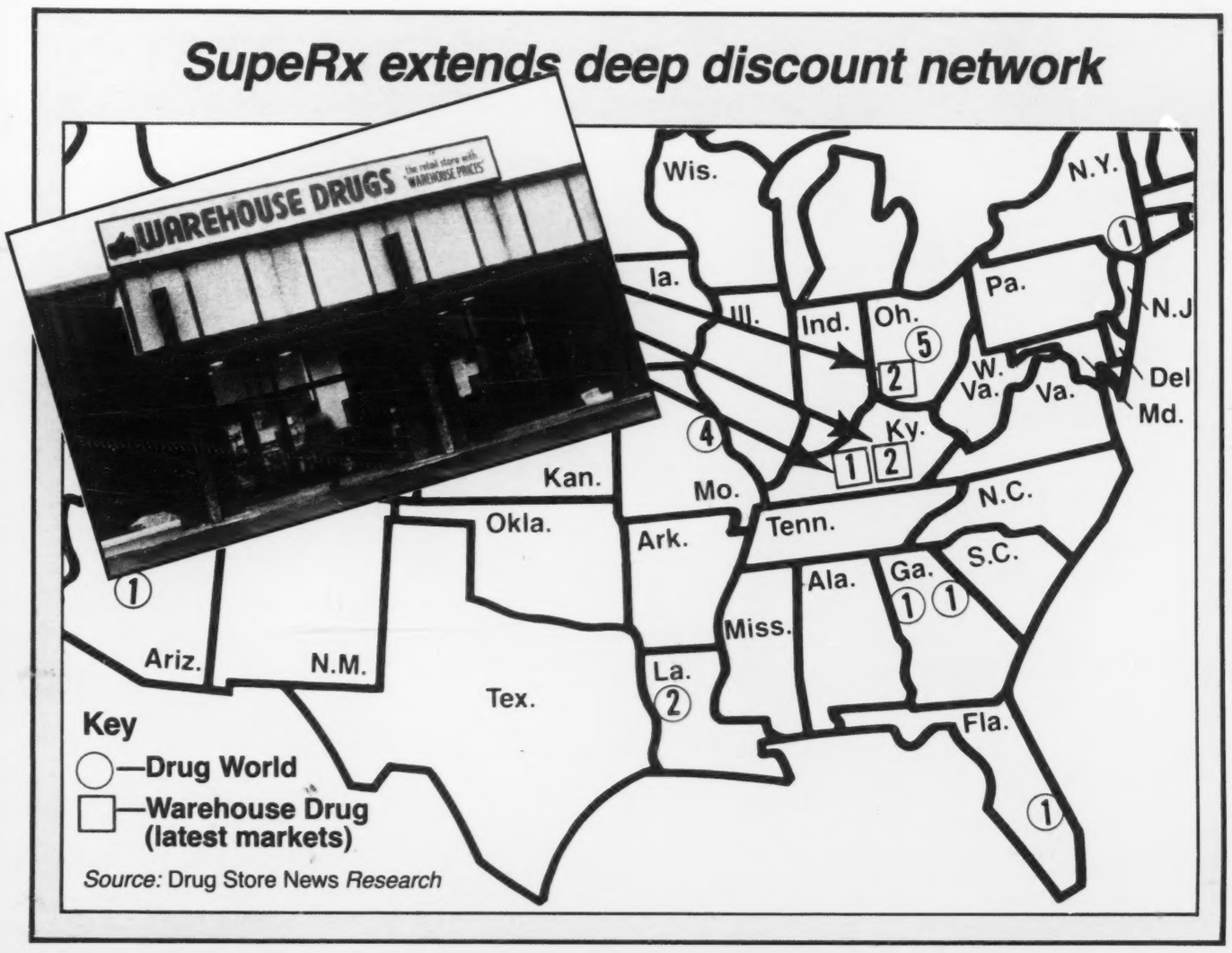
DRUG STORE NEWS

Vol. 8/No. 2 **Serving chains, wholesalers and high-volume independents for 56 years.** Published by Lebhar-Friedman Inc. January 20, 1986



SupeRx expands off-pricers; buys 5 Warehouse Drug units

CINCINNATI — SupeRx Drugs has made its first acquisition of a regional deep discount chain, becoming one of the nation's four largest operators of the low-price retail stores.

The chain, owned by Kroger Company, is acquiring five Warehouse Drug stores from Mi-Lo Inc., headquartered in Fort Mitchell, Ky. The purchase will give SupeRx nearly twice as many deep discount stores—at 21 units—as its nearest competitor among conventional drug store chains.

The move also provides SupeRx with a deep discount-

Continued on page 42

New Drug World prototype larger

CINCINNATI — SupeRx Drugs is refining its deep discount store concept with a new, larger Drug World prototype.

The chain has opened three new stores—one in Shreveport, La., one in Bossier City, La., and one in Rome, Ga.—that are about 10,000 sq. ft. larger than the original Drug World stores.

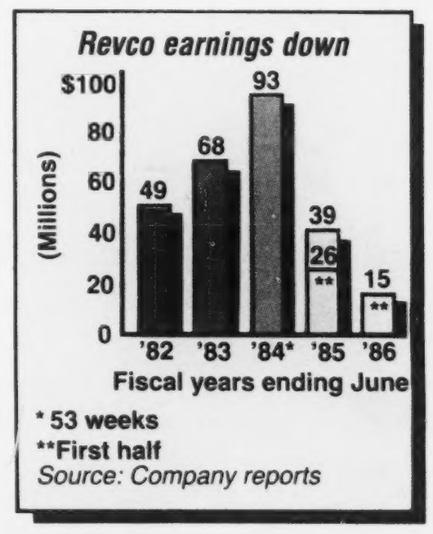
SuperRx executives expect the new format to offer several advantages including providing more room to experiment with additional sku's of general and seasonal mer-

Continued on page 42

Revco confident margins will grow

By Dave Vaczek

TWINSBURG, Ohio — Revco said that increased profit margins stemming from a more selective pricing strategy in key eastern markets, coupled with improvements in its unproductive Odd Lot division, should produce year-end results topping 1985's, although second-quarter earnings dropped 47%.



The company said income will be boosted from improved gross margins resulting from the cancellation of a test program in which prices were slashed last year in 230 stores in six markets. The impact of the new pricing approach—which adjusts prices on a store-by-store basis rather than uniformly through a market—won't be felt until the third quarter, officials said.

Revco is also betting that it can turn around operations of its Odd Lot retail stores, where it is revamping the merchandising mix, layouts and decor. The company is committed to testing the close out merchandise concept with Odd Lot, although the division continued to have a negative impact on earnings in the second quarter ended Nov. 12.

An operating loss in the Odd Lot division reduced earnings by 6¢ a share, for total earnings per share of 17¢, compared to 28¢ in the 1985 quarter. Earnings were $5.5 million, down from $10.4 million in the comparable 1985 quarter.

Sales increased 14% to a record $601 million, compared to the previous year's quarter of $526.6 million. Odd Lot's retail division sales contributed $23.2 million.

The performance left year-to-date sales up from last year at $1.18 billion compared to $1.03 billion, but earnings are down at $14.8 million or 44¢ a

Continued on page 42

Supermarkets General expands off-pricers

Co. to build 7 conventional and 7 deep-discount stores

NEW YORK — Supermarkets General Corp. plans to roll its deep discount operations into Virginia as part of a record capital spending plan for 1986 that will fund 14 new drug stores.

The giant diversified retailer will build seven conventional drug stores and seven deep discount stores using a $200 million capital budget that is 50% larger than the 1985 budget, Leonard Lieberman, Supermarkets General's president and ceo, told security analysts here recently.

Lieberman said the deep discount stores will be used to enter the new market of Virginia "and perhaps farther south." He said they are the best vehicle for geographic expansion because they use merchandising, operations and advertising programs that are separate from the conventional drug stores and supermarkets.

A source said the deep discount stores should resemble existing prototypes of the company's two deep discount chains, with 20,000 to 22,000 sq. ft., and 10% food. But Lieberman didn't reveal merchandising details, or specify whether the stores will carry the banner of the Pathmark Super Drug Stores, or of Heartland Drug Stores, the 12-store deep discount chain in eastern Massachusetts the company acquired when it bought Purity Supreme in 1984.

PS
Pathmark
"Our record 1986 capital spending budget is not a one-year spike in our plans, but a permanent step up to a new level of spending."
—Leonard Lieberman

Lieberman said the deep discount Pathmark Super Drug stores have captured about 5% of the Baltimore market since the first store was introduced a year and a half ago. There are now five stores in Maryland, and one in

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Retailers caught in diaper war Page 9

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Pay Less installs apparel in 90% of units

Promotion features 4-color newspaper inserts

WILSONVILLE, Ore. — To capitalize on the profit opportunities in apparel, Pay Less NW is installing departments in all stores in the 30,000-sq.-ft. area and above. Thus, approximately 90% of Pay Less' 183 stores are being tapped for apparel departments.

The only exception is Value Giant, Pay Less' deep-discount drug stores. "We have no plans for apparel departments in Value Giant at this time," Dan Barrett, Pay Less' general manager of apparel, told *Drug Store News*. Barrett, a veteran apparel merchandiser, joined Pay Less at the beginning of 1985.

Forty apparel departments will be onstream by April 1986, with the remaining stores scheduled for 1987.

Currently, Pay Less operates 21 leased apparel departments—4,000 to 6,000 sq. ft. However, most of these leases expire at the end of this month and will be replaced by Pay Less-operated departments.

In setting up the department, Pay Less has drawn on the expertise of its parent, K mart, but Barrett notes, "the apparel department is strictly a Pay Less operation."

However, there are similarities. The price points of both K mart and Pay Less are in the medium range. Also, both use apparel racks which Barrett highlights as "strong, chrome, circular four-way and six-way racks." These fixtures consist of a post with either four or six arms.

Barrett also points to a difference in fixtures: "K mart uses advanced finger walls [these are wall displays with dividers separating the various categories]. The fixtures permit merchandise to be hung in depth."

Another difference is that K mart's apparel departments are larger, averaging 15,000 sq. ft.

What happens when a Pay Less superdrug store with apparel is competing with K mart in the same area? "The potential is there for both," says Barrett. "The two big requisites for a successful operation are traffic and proper promotion."

Pay Less will use four-color four and eight-page rollouts weekly, to be distributed as newspaper inserts or as mailers—depending on the individual market. However, Pay Less does not plan to advertise in its regular drug store ads.

The size of the department will vary according to the size of the store. Apparel will not be installed in the new 20,000-sq.-ft. prototype. However, in stores larger than 20,000 sq. ft., but smaller than 30,000 sq. ft., the department will be 4,000 sq. ft. In the typical 30,000-sq.-ft. Pay Less superdrug store, apparel will occupy 6,000 sq. ft. to 8,000 sq. ft. In stores larger than 30,000 sq. ft.—such as the 80,000-sq.-ft. Broadway store in Oakland and the 60,000-sq.-ft. Castro Valley unit—the department will go to 12,000 sq. ft.

The location of the department will vary, depending on available space and the configuration of the layout, but Pay Less will try to keep apparel upfront for high impact.

The lines carried include men's, women's, children's and accessories.

A full line of infant apparel will be tested in nine stores.

There will be a full line of children's apparel: sizes 4 to 14, girls; 4 to 18, boys. Tickets will range from $4 to $12.

Approximately 20%-25% of the inventory will be imported; the rest, domestic.

NEWS IN BRIEF

Rite Aid to rebuild Bronx Drug Palace

NEW YORK — Rite Aid will rebuild by early spring an 8,500-sq.-ft. Drug Palace store destroyed in a fire here Dec. 27, in which three employees died.

The cause of the fire is under investigation, said a company spokesman, who added the blaze broke out in the basement near where the three victims were found. They were Laura Buccheri, Anthony Cavaliere and Frank Kelly, all 17 and residents of the Bronx. They were part-time workers at the three-month-old deep-discount store, the spokesman said.

The store, at 3085 East Tremont Ave., "was 75% damaged," the spokesman said. Rite Aid leases the one-story building, a converted supermarket. It's one of 12 deep-discount stores which Rite Aid operates and will expand in 1986, he said.

Bergen's sales predicted to hit $3B

BEVERLY HILLS, Calif. — Emil P. Martini Jr., chairman and ceo of Bergen Brunswig, told shareholders at the wholesaler's annual meeting here that sales in the current fiscal year ended Aug. 31 should reach $3 billion.

Martini said Bergen would meet its projected annual sales growth of 25%, and a prime factor is the outlook for prescription drugs. "Total U.S. pharmaceutical sales are estimated at $21 billion for this year, up from $7 billion 10 years ago, and should reach $31 billion in 1990," he said.

Five recent acquisitions should account for $641 million in added sales, he said. They are Allen Co., Synergex, Davis Bros., Cibcoa and Berry Wholesale Drug.

Drug Fair unveils 2nd race track

MOSCOW, Idaho — Just a few months after unveiling its first race track-style drug store in Helena, Mont., Drug Fair Northwest has opened a second 17,000-sq.-ft. race track store here.

President Paul Mateucci said sales in the Helena store have increased 60% over sales in an old, smaller store, which it replaced. He also reported a higher than average transaction per customer.

The location of the pharmacy has been moved in the new store, partly because of the shape of the building, but also to assure that customers must pass by the whole pharmacy on their way around the race track.

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Vol. 8, No. 2 January 20, 1986

Analysts: 'better times coming'

NEW YORK — Despite a year of earnings slumps throughout the drug store industry, 1985 ended with drug chain stocks managing to hold their own.

With the stock market bullishly closing 1985 at an all-time high, the drug chains underperformed the market as a whole. But more climbed than fell, and many of the climbers finished close to their highs for the year.

None of the companies reached the heights that some fast-movers attained in 1983, but neither were there any of the dramatic plunges that showed up on the board in 1984. Financial analysts say that better times are coming for the drug store industry.

"I don't look for the major companies to really get it going until later this year or early next year," said Susan Schmeirer, who tracks drug chains for L. F. Rothschild, Unterberg & Towbin. "But the trend is up. We've already hit bottom."

'86 stock scorecard
See page 6

The upward trend was visible in the appreciation of the stock of 10 of the 12 leading public drug chains tracked by *Drug Store News*. At the close of the year, seven were approaching their year's high, while four attained a middle ground between the high and the low.

Perry, Walgreens and Longs, three companies that kept their earnings high all year, closed on the high side. Perry closed at 45% higher than last year; Walgreens closed with a 25% rise; Longs ended the year with a rise of 38.4%. Two surprises were Big B and Thrifty. Big B rose a comfortable 42.5% and Thrifty managed a 24.5% rise.

Schmeirer explained Thrifty's good showing as the result of takeover rumors. The company, she said, owns a lot of real estate in Los Angeles, making it a good candidate for takeover.

Some of the problem companies included Eckerd, Revco and Rite Aid, Eckerd, with a leveraged buyout imminent, pulled out a 7.4% rise. Revco, whose declining earnings trend has still not reversed, rose 5.7%. Rite Aid, which had a tough Christmas season, according to one analyst, was on the low end of the climbers with a rise of 2% over last year.

"We're looking for a better performance in earnings for next year as the drug chains learn to cope with disinflation and to take a more conservative inventory posture," said Rick Nelson, an analyst with Duff & Phelps.

Holiday sales 'fair,' retailers say

NEW YORK — With Christmas sales rising in mainly single digits, most retailers described the season as "not spectacular" and as "fair." But most also said they had expected and planned for a mediocre season.

"I would not call it a great Christmas season by any means," said Henry Panasci, ceo at Fay's. "But it was pretty much on plan saleswise."

Fay's December sales rose 28% over last year's due to the opening of 20 new stores in 1985, he said. Comparable store sales were up 11%.

The disappointing year could be seen in half-price sales both during and after the holidays, in heavy promotions, and in markdowns. Thrifty ran a full-page newspaper ad promoting such things as crystal, ceramicware, woodenware, porcelain and lamps at half price before the season ended. Genovese ran after-Christmas ads touting gifts and accessories for half price, and couponing such things as L'Oreal's nail and lip accents and Revlon's mascara.

Among the reasons given for the bland season were heavy competition from deep discounters, warehouse stores, supermarkets, combos and other chains. The shortened season between Thanksgiving and Christmas was also named as a reason (there were six fewer days between the two holidays this year).

Jack Sprabary, merchandise manager at Cullum Companies, said a recent repeal of blue laws in the area had an affect on Page Drug sales. "All the shopping malls were packed on Sundays," he said. Until this year, only drug stores were permitted to stay open on Sundays. Christmas sales at Cullum rose 5% to 6% this year.

A 24-in. snowfall in the northwest early in the season affected sales at Pay 'n Save, said president Maynard Jenkins.

Richard Lazenby, merchandise manager at Standard Drug, speculated that heavy buying of large items such as washing machines and microwaves "put a damper on our kind of business" this year.

Primo and Vanderbilt were named as this year's hot fragrances, and knockoffs, in general, were said to be good sellers. Lazenby said Standard quadrupled its Vanderbilt order this year and still sold out. "I'm still amazed at Vanderbilt," Lazenby said. "It's the blue-collar Giorgio." Although Vanderbilt sells for $10 to $15, Lazenby said, it "turns over like Enjoli and Jovan used to turn over at $6."

FINANCIAL

Perry Drug's earnings rise 15%

PONTIAC, Mich. — Perry Drugs posted a 15% gain in earnings per share for its 1985 fiscal year after record fourth quarter earnings and sales, the company announced.

Results for the fiscal year ended Oct. 31 also hit record highs. Perry earned $9.6 million, compared to $7.6 million in 1984, on sales of $521.6 billion, up 40% from the previous year's sales of $371.9 million. Net earnings increased 26% from 1984.

Earnings per share for the year climbed to 97¢ from 84¢ in 1984, after adjusting for a 3-for-2 stock split distributed Sept. 10.

The company said expansion through new store construction and acquisitions in its drug store, auto parts and health care divisions placed additional burdens on costs.

Jack A. Robinson, Perry president and chief executive officer, said the results are "commendable, particularly given the expenses we incurred to integrate the many acquisitions we made during the last two years."

Fourth quarter sales increased 50% from $96.4 million in 1984 to $144.9 million and earnings grew 14%, from last year's $2.1 million in the fourth quarter to $2.4 million. Fourth quarter earnings per share were 24¢, compared to 23¢ in the 1984 quarter.

"It was another good year for Perry, in a lackluster retailing environment," said Elliott Schlang, editor of the Great Lakes Review, an investors' newsletter.

"Very few chains have been able to show this kind of per cent growth in earnings per share. Their heavy new store opening program and acquisitions, I think, makes the results even more impressive than meets the eye," said Schlang.

The Midwest chain also an- quarterly dividend to 5½¢ from 4⅔¢ payable Jan. 10, the 11th dividend increase in 10 years.

Chain drug scorecard for 1985

Company	Closed 1984	Closed 1985	% Change
Perry Drug	11.75*	17.13	+45.7
Big B	10.88	15.50	+42.5
Longs	22.13**	30.62	+38.4
Walgreens	22.50**	28.12	+25.0
Thrifty	19.88	24.75	+24.5
Medicare-Glaser	4.00	4.50	+12.5
Jack Eckerd	28.75	30.87	+ 7.4
Revco	24.13	25.50	+ 5.7
Begley	15.50	16.25	+ 4.8
Rite Aid	25.38	25.87	+ 2.0
Genovese	12.75	11.13	−12.7
Fay's Drug	10.13	8.75	−13.6

*Adjusted for 3-for-2 split
**Adjusted for 2-for-1 split

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 12/20/85 - 12/31/85							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)	
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	65.50	63.50	64.75	-.63	-.96	68.25	39.00	-.14	-.64	-2.30	-17.23	5.71	.86	N 19.5	34.0	1.5	12.3	.84	1.3	12-09-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	16.25	16.25	16.25	.00	.00	17.63	15.00	-.15	-.49	-4.09	.00	1.26	.12	S 9.9	5.0	1.1	12.2	.72	4.4	07-15-85	66.1	.7	1.7	13.77	18.84
Big B	BIGB	15.50	15.00	15.50	.38	2.48	19.50	10.75	.36	.26	-2.97	57.84	.68	.11	N 18.0	19.0	3.0	21.5	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	4.63	4.25	4.63	.13	2.78	6.13	3.38	-.20	1.17	3.20	-2.03	.35	-.12	Q -24.0	NC	1.2	12.2	.60	13.0	05-09-85	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	30.88	30.63	30.88	.13	.41	32.88	20.00	-.12	-.38	-.69	-37.84	-.22	-2.61	Q -100.0	NC	-.3	NE	1.04	3.4	09-09-85	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	9.38	8.63	8.75	-.50	-5.41	13.00	8.00	.11	-.51	-1.30	17.18	.62	-.32	N -48.5	30.0	2.4	25.7	.20	2.3	09-23-85	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	11.38	10.88	11.13	-.13	-1.11	15.88	9.13	-.22	-.47	-.29	26.47	1.03	.07	S 6.8	40.0	1.9	10.1	.20	1.8	09-24-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	31.38	29.63	30.63	-.38	-1.21	31.75	21.69	.04	-.17	-3.64	-24.31	1.88	.10	N 5.5	10.0	2.9	15.9	.72	2.4	08-27-85	1375.8	40.1	2.1	.00	12.23
Medicare Glaser	MGCO	4.50	4.00	4.50	.50	12.50	6.25	4.00	-.59	.15	1.29	1.17	.05	-.38	* -88.4	NC	.2	90.0	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Perry Drug	PDS	18.00	16.88	17.13	-.50	-2.84	18.75	10.75	-.46	-.71	1.83	-16.59	.98	.14	F 16.7	16.0	1.8	17.5	.19	1.1	09-11-85	521.6	9.6	1.5	1.60	7.07
Revco Drug	RDS	27.00	25.25	25.50	-.38	-1.45	29.50	23.13	-.39	-.05	.84	17.44	1.06	-1.50	S -65.2	-5.0	1.6	31.9	.80	3.1	08-19-85	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	25.88	25.00	25.88	.13	.49	33.50	21.50	.05	-.38	2.05	-61.53	1.69	.13	S 8.2	9.0	4.8	15.1	.50	1.9	10-07-85	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	25.00	24.00	24.75	.00	.00	25.38	18.13	.06	.01	.22	-23.02	1.60	.20	F 14.3	16.0	2.3	15.5	.60	2.4	05-06-85	1404.9	31.9	1.5	4.46	7.72
Walgreen Co	WAG	28.88	27.63	28.13	-.75	-2.60	30.25	21.50	-.09	-.45	1.83	-9.59	1.53	.14	F 10.1	21.0	3.0	18.4	.50	1.8	11-05-85	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																										
Bergen Bruns	BBCA	32.50	31.88	32.00	-.38	-1.16	32.63	22.00	.22	-.47	-1.35	-39.28	1.91	.26	Q 15.8	15.0	1.0	16.8	.32	1.0	10-28-85	2434.9	24.2	1.7	11.68	12.68
Bindley Wstn	BIND	9.50	9.25	9.50	.25	2.70	15.00	7.75	.16	.21	-2.89	2.76	.73	.15	N 23.4	23.0	.8	12.0	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	19.50	19.00	19.38	-.13	-.64	19.50	12.28	.23	-.66	4.08	17.83	1.01	.21	S 23.1	NC	1.2	17.3	.08	.4	10-08-85	320.0	3.7	1.7	.94	8.85
Durr Fillauer	DUFM	12.50	12.25	12.38	-.13	-1.00	15.25	9.25	.09	-.48	-4.48	3.80	.74	.07	N 9.9	14.0	1.7	15.9	.14	1.1	07-01-85	341.7	5.8	2.3	1.21	6.05
Foxmeyer Cp	FXM	24.00	22.38	24.00	1.00	4.35	29.75	21.50	-.49	.30	-3.13	-1.30	1.56	.02	S 1.3	26.0	1.3	15.3	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51
Ketchum	KCH	22.13	20.00	20.25	-1.50	-6.90	23.25	14.06	.47	-2.45	5.79	-28.63	.56	.14	S 35.0	NC	.2	37.5	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	53.50	51.00	52.38	-1.00	-1.87	53.50	37.00	-.11	-.11	.09	8.34	3.60	.02	S .5	-1.0	1.3	13.9	2.40	4.6	11-25-85	4887.1	65.0	1.5	12.99	30.40
Moore Med	MMD	23.25	22.13	22.13	-.88	-3.80	23.38	8.81	.30	-1.40	1.90	-61.96	1.02	.45	N 47.4	18.0	2.9	15.8	.00	.0	05-23-85	115.4	3.3	3.3	2.45	5.25
Owens & Minor	OBOD	18.00	17.75	18.00	-.25	-1.37	18.25	8.50	.24	-.28	-1.15	15.54	.95	.23	N 26.1	16.0	1.2	16.2	.28	1.6	09-10-85	306.7	3.6	3.0	5.35	8.54
Manufacturer's transactions																										
Abbott Labs	ABT	68.75	65.13	68.38	1.75	2.63	72.00	39.88	.14	.69	3.02	-7.35	3.34	.52	N 16.3	17.0	13.0	18.4	1.40	2.0	10-08-85	3104.0	402.6	1.9	3.91	13.33
Am Home Prod	AHP	64.00	62.00	62.88	-1.25	-1.95	66.88	50.63	.03	-.36	-1.64	10.29	4.39	.26	N 6.0	11.0	15.1	13.7	2.90	4.6	11-06-85	4485.5	675.6	3.4	.26	13.74
Baxter Travenol	BAX	15.75	14.75	15.75	.75	5.00	16.88	12.38	.21	.53	-5.29	2.55	.21	-1.06	N -82.8	-25.0	1.6	71.6	.37	2.3	12-09-85	1800.4	29.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	21.13	20.75	20.75	-.50	-2.35	23.50	14.56	-.52	-.74	9.97	-55.69	1.70	.20	S 12.5	11.0	10.5	11.5	.49	2.4	12-03-85	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	17.75	16.38	17.50	.50	2.94	22.63	11.50	-.04	.66	-2.05	39.02	.61	.10	N 17.2	22.0	18.2	25.7	.03	.2	08-06-85	29.1	5.3	7.5	.00	3.70
Bristol-Myers	BMY	67.25	65.00	66.25	-1.00	-1.49	68.50	49.88	.02	-.38	-.10	-12.07	3.45	.42	N 12.5	14.0	11.3	17.6	1.88	2.8	09-30-85	4189.4	472.4	2.5	.75	15.63
Carter-Wallace	CAR	51.38	47.75	48.13	-3.25	-6.33	51.38	24.75	.11	-1.13	-1.46	-15.05	2.66	.77	S 30.1	21.0	5.9	14.5	.60	1.2	11-01-85	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	29.63	27.88	28.50	-.88	-2.98	32.50	16.00	-.17	-.80	-.53	-28.97	.73	.36	S 67.9	15.0	17.4	32.0	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	13.50	12.63	13.50	.13	.93	14.00	8.50	.85	.82	.61	.84	.00	-.12	N -85.7	NC	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	11.00	10.38	10.75	-.25	-2.27	12.75	7.13	.22	-.96	-1.67	.93	.61	-.21	N -33.9	47.0	14.6	26.2	.00	.0	09-09-85	151.1	22.1	3.4	2.52	1.60
Lilly Eli Co	LLY	111.88	106.38	111.50	3.50	3.24	111.88	64.75	.20	.73	-1.05	-19.57	6.73	.57	N 8.6	10.0	15.8	15.4	3.20	2.9	11-08-85	3109.2	490.2	1.7	1.63	31.04
Lee Pharm	LPH	8.38	6.63	8.38	1.50	21.82	9.63	2.63	-.23	4.78	-2.80	11.70	.40	.27	F 207.7	NC	6.6	20.9	.00	.0	00-00-00	12.2	.8	3.0	.20	1.73
Marion Labs	MKC	47.25	43.00	45.75	-1.25	-2.66	47.25	21.00	-.03	-.14	2.88	26.25	.94	.39	Q 56.5	36.0	12.2	42.4	.36	.8	12-16-85	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	137.75	131.63	137.00	2.25	1.67	137.75	90.25	.16	.42	.44	2.09	6.71	.71	N 10.9	6.0	13.8	18.9	3.60	2.6	12-03-85	3559.7	493.0	2.0	2.48	35.29
Morton Thiokol	MTI	39.50	36.38	36.75	-2.88	-7.26	40.50	26.00	.17	-2.23	3.39	4.70	2.50	.29	Q 12.8	21.0	6.7	14.4	.70	1.9	11-18-85	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	18.75	17.50	18.38	-.13	-.68	26.00	12.00	-.11	-.16	-.19	-34.49	.52	.38	S 115.2	64.0	23.3	25.9	.05	.3	02-19-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	14.00	13.13	13.13	-1.38	-9.48	14.50	5.38	.62	-2.15	1.70	-21.53	.05	.00	S NE	NC	6.7	NE	.80	6.1	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	16.75	16.25	16.50	-.75	-4.35	23.25	8.84	-.61	-.80	-3.00	13.38	.42	-.05	F -10.6	80.0	12.7	39.3	.00	.0	00-00-00	21.3	2.7	3.3	.00	1.84
Pfizer Inc	PFE	51.13	47.50	50.63	-2.38	-4.48	56.25	37.63	-.18	-.27	2.17	-35.07	3.08	.37	N 12.3	15.0	13.2	14.9	1.48	2.9	07-26-85	3854.5	507.9	2.3	2.10	15.45
Reid Prov Labs	REID	6.00	5.75	5.88	.13	2.17	6.63	3.13	.50	-.56	5.35	49.42	.13	.02	Q 16.7	26.0	6.0	42.0	.04	.7	12-10-84	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	11.50	11.00	11.50	.50	4.55	24.38	5.50	-.26	.61	-.25	28.22	-18.44	-18.79	N -100.0	NC	-73.0	NE	.00	.0	11-19-84	631.9	-461.6	1.7	.47	-5.23
Rorer Group	ROR	37.88	35.00	35.75	-2.13	-5.61	47.00	24.00	-.33	-1.23	-8.04	42.80	2.08	-.04	N -1.9	4.0	8.5	17.5	1.12	3.1	11-04-85	522.1	44.3	1.9	2.18	11.07
Scherer RP Co	SCHC	15.38	14.88	15.38	-.13	-.81	15.50	9.38	.46	.50	-3.25	-17.44	-.43	-.96	S -100.0	NC	-2.0	NE	.32	2.1	12-09-85	167.4	-3.4	1.7	4.07	9.72
Squibb Corp	SQB	81.75	79.38	80.00	-1.38	-1.69	82.50	49.75	.13	-.34	-3.30	-7.66	3.68	.46	N 12.9	21.0	10.5	19.9	1.76	2.2	11-08-85	1886.0	197.2	2.3	3.74	24.87
Sterling Drug	STY	37.88	36.63	37.63	-.50	-1.31	41.38	26.75	-.09	-.07	-4.22	-21.72	2.37	.13	N 5.6	4.0	7.8	15.3	1.20	3.2	11-07-85	1827.3	143.4	2.6	1.32	15.34
Syntex Corp	SYN	46.75	43.50	46.75	2.25	5.06	46.75	23.75	.56	.98	-2.17	-6.62	2.33	.55	Q 27.5	15.0	15.8	18.3	1.20	2.6	12-16-85	948.5	150.0	2.1	2.68	9.40
Thompson Med	TM	14.38	13.75	14.25	.25	1.79	18.38	11.75	-.09	.23	-2.92	6.14	2.20	-1.04	N -46.0	15.0	10.8	11.7	.40	2.8	09-24-85	197.2	21.2	4.3	.00	7.09
Upjohn Co	UPJ	134.88	131.00	133.50	2.88	2.20	141.50	67.38	-.21	-.25	-.56	11.15	5.67	.39	N 6.9	1.0	8.0	22.0	2.80	2.1	09-27-85	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	48.88	46.75	47.50	-1.50	-3.06	49.38	33.63	.55	-.65	-.71	-.74	2.81	.27	N 9.7	7.0	7.1	15.6	1.56	3.3	11-04-85	3166.7	223.9	1.7	6.47	18.18
Zenith Labs	ZENI	24.75	23.75	24.75	.50	2.06	29.50	6.25	-.32	.69	-.71	-12.74	.28	.97	N 510.5	89.0	7.7	21.3	.00	.0	06-19-85	37.5	2.9	2.6	.27	1.99

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISER

Retailers caught in diaper war

'86 cost hike means profit, volume juggle

With major disposable diaper manufacturers gearing up to hike prices 6% to 8% in 1986, retailers are left trying to figure out how to keep margins up while keeping prices competitive.

Executives at different chains are approaching the problem differently, with some planning to raise prices, others determined to keep them low, and still others adopting a wait-and-see attitude. Whatever their approach, all agreed that the expected rise in diaper costs will cause them to juggle volume and profitability.

"There's going to be millions of dollars turning diaper departments upside down next year," said Gary Charboneau, vp advertising and sales promotion at CVS.

The dilemma has been created by a war for premium product market share between the giants of the disposable diaper industry, Procter & Gamble (Pampers and Luvs) and Kimberly Clark (Huggies). Aiming at recapturing the lion's share of the $2.7 billion disposable diaper market, Procter & Gamble will spend $100 million in its campaign to promote three upgraded versions of Pampers and a newly designed Luvs. The company has seen its edge in the market slipping in recent years. In 1976, Pampers and Luvs together held 75% of the market; now the two take about 50%. The rest has been lured away by Kimberly Clark, with 25% for Huggies, and by private label brands.

P&G will be pushing a new form-fitting Pampers with extra padding in the middle, a leak-proof waistband and double elastic leg gathers, as well as a design with breathable leg cuffs and a third, thinner version with extra absorbency, dubbed "Ultra Pampers." Each of these has been test marketed in different parts of the country, with the first now available all over the United States. The company has said it will remove the old Pampers from the shelves to make way for the new.

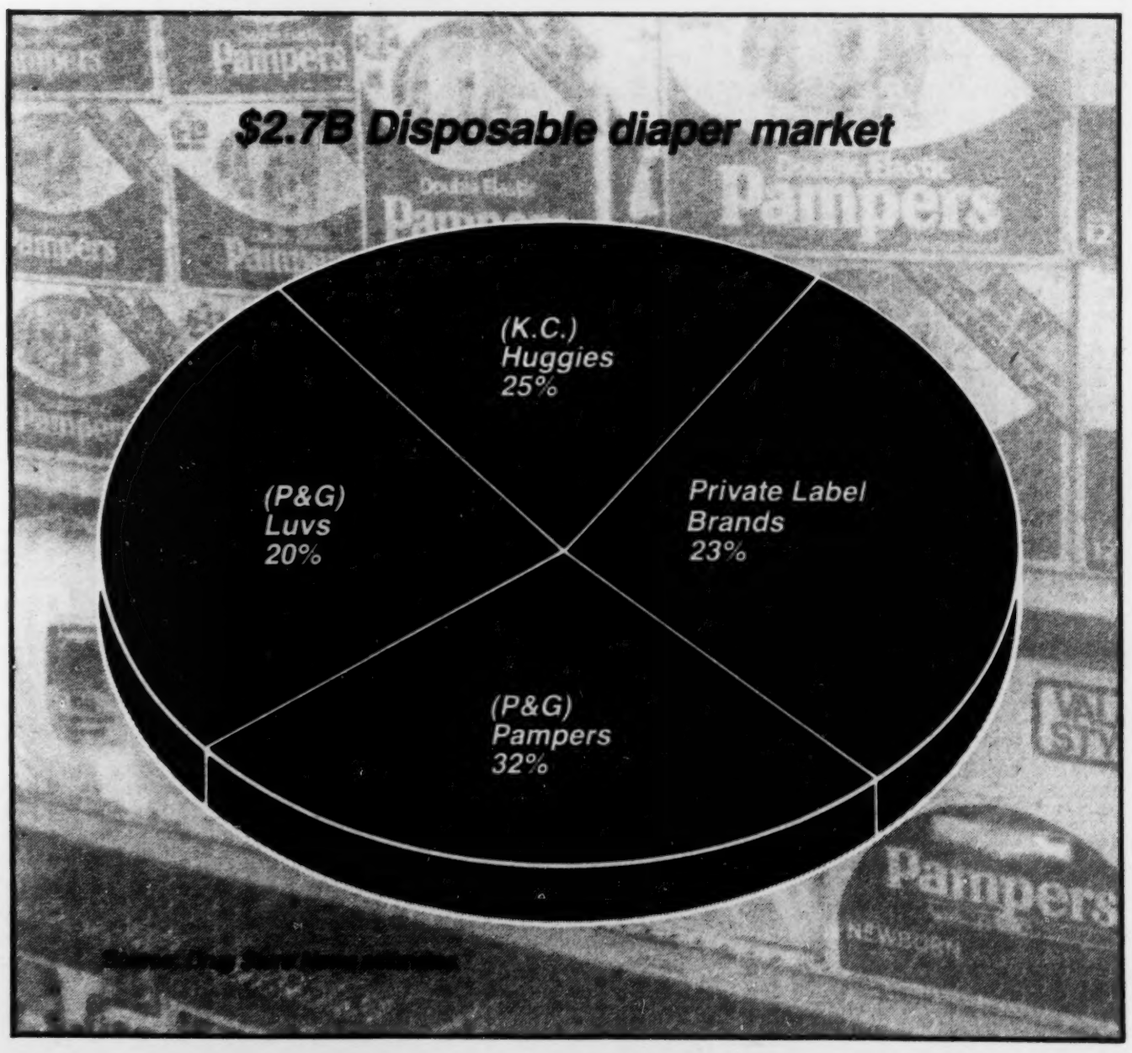
While P&G is advertising aggressively, Kimberly Clark seems to be lying low. Taking a different tack, the manufacturer of Huggies cut off all promotional allowances to retailers for the last three months of 1985 and has continued this policy into the first three months of 1986. One retailer speculated that the company is retooling machinery to come out with its own restyled product. The manufacturer did not return *Drug Store News* telephone calls.

A merchandiser at one major drug chain who did not want his name used said he plans to deal with cost hikes by raising the prices of all disposable diapers and then waiting to see what the competition will do. If they don't do the same, he said, he will bring prices back down. His prices now are typically $8.99 to $10.49 for a version of Pampers that he called "regular" and $9.69 to $11.49 for the extra absorbency version. He charges $9.39 to $11.99 for Luvs and $9.39 to $11.79 for Huggies. But he said his chain constantly monitors the competition and changes prices accordingly. Richard Lazenby, merchandise manager at Standard Drug in Virginia, said the same. "Everybody shifts around," he said.

With supermarkets also vying for diaper customers, some drug retailers see the manufacturers' market share

Continued on page 10

Disposable diapers and baby food, heavy demand traffic categories, are merchandised on facing 36-ft. gondolas in a California Pantry combo. The design exposes shoppers to high-profit toys, packaged apparel and baby powder.



Genovese fills baby stock weekly

Baby needs will be a more productive department at Genovese, thanks to a new 153,000-sq.-ft. warehouse that enables the chain to buy centrally and distribute to stores on an as-needed basis.

By buying in large quantities and stocking bulk items like diapers and formula in the new warehouse, the 76-store chain has been able to keep prices of these items down to nearly cost, restock shelves at the store level as needs occur and use more space for higher-margin sundry items such as baby bottles and nipples.

"With . . . the new warehouse . . . stores can get a weekly selection [of baby needs]."

—Donald Gross,
Genovese,
VP-marketing and distribution

One of the visible merchandise changes resulting from this is an expanded rack-jobbed display for high-margin sundries.

"With the opening of the new warehouse, we're able to control our own destiny," said Don Gross, vp of marketing and distribution. "The stores can get a weekly selection rather than the yo-yo effect of buying from the manufacturer."

When each store used to reorder directly from the manufacturer, they had to place minimum orders of 75 cases, often a hardship that resulted in three-week waits to fill holes or in unneeded merchandise taking up room and not turning over, he said.

Stocking bulk items in the warehouse frees storage space at store level and gives the stores the chance to stock items, instead, that yield higher margins. For example, some baby departments expanded their sundry sections from about 12 ft. to as much as 20 ft. to 24 ft. Rack items such as baby bottles and nipples, which sell for 79¢ to $25.49 (for sterilizer kits), bring margins as high as 30% to 50%, said one Genovese source.

Another financial benefit of buying baby needs "by the carload," as Gross put it, is a saving in costs of about 8%, according to the source. Genovese then prices merchandise aggressively to meet the demands of competition.

"Volume has jumped tremendously since we expanded the baby section," Gross said.

In some stores, larger baby departments replaced some slow-selling housewares sku's; in others, automotive gave way.

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MERCHANDISER

Disposable diapers

Continued from page 11

fray and their follow-the-leader game of upping costs as an upset to retailer price wars.

In Dallas, for instance, the Cullum Companies was forced to lower diaper prices in three of its Tom Thumb/Page stores when Albertsons came into the area recently and set across-the-board discount prices. Although Cullum said it has 22% of the Dallas market and 40% of the area's diaper market, it reduced its everyday price to below cost, charging $8.19 for a bag of Huggies for which it pays $9.25. The lowered price still doesn't match Albertsons, said Cullum grocery buyer John Gabriel, who noted that Albertsons charges $6.99 for the same bag.

Other chains, however, are dealing with rising costs by raising prices. Lazenby said the convenience pack which Standard now sells for $9.99 will go over the $10 mark in 1986. But he doubted that retailers would raise prices enough to compensate for the rise in costs. He said he was not sure how much his present 15% margin will slip in the coming year, but he was sure it would slip. He said he is thinking of taking on a private-label line comparable in quality to Huggies as a way of dealing with rising costs. He could realize as much as a 25% margin with a private label brand, he said.

Whether the P&G strategy to regain its high market lead will work remains to be seen. Cullum's Gabriel thought the new Pampers would have had a better chance with a brand new name. "It would sell if people wouldn't perceive it as another re-do," he said. He did not think P&G promotions will help, but he said Huggies sell with no promotions at all.

Jack Alleckson, merchandiser with Pay Less NW, agreed. Despite heavy advertising by P&G, he said sales have risen by a slim 5% since the new Pampers came in. "It's hard to get people to switch over," he said.

The merchandiser with the major chain who did not want his name used, said that sales in his stores have gone up about 50% since new Pampers arrived. He attributed the pickup to P&G promotions and the chain's own campaign, in which a year's supply and a six-month supply of Pampers were awarded in contests in each store.

Surprising facts

Although the birth *rate* is expected to go down each year for the next four years, the *number* of births is expected to rise (along with the population), according to figures derived from the U.S. Census Bureau.

In 1990, at least 3,790,529 babies are expected to be born (at the rate of 15.3 per 1,000 people).

In 1980, the rate was 15.9 per 1,000, but only 3,612,258 babies were born.

Any way you figure it, *that's a lot of diapers!*

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Rx/OTC news

PHARMACY

Patient's perception, not price is main reason for not taking Rx

Why don't patients get their prescriptions filled? Why do customers keep patronizing particular drug stores? What do customers want to know about their prescriptions?

The answers to these and other questions, part of a national survey for The Upjohn Company by Market Facts, may surprise you.

One of the most intriguing findings of the study, which involved 1,020 people who had gotten prescriptions filled during the last six months, was that *cost* was not a major factor in noncompliance, but the perception that the medication was not needed.

A sizable portion of the consumers surveyed, 14%, had obtained prescriptions from doctors and then did not get them filled. The survey results showed that consumers earning $15,000 to $49,999 were more likely to leave their prescriptions unfilled than those with either higher or lower incomes.

Why don't patients take their medications? Over 50% of the consumers surveyed said they didn't need them or did not want to take them because they felt better, didn't like taking the medications, or already had some on hand. Only 10.5% listed cost as an issue.

Almost two-thirds of the entire sample said they did not take all of a prescription at one time or another. A whopping 62% of those cited "recovered from the condition" as the reason. Another 13% said they discontinued medications because of side effects.

Another interesting finding was that 31% of the respondents would like to be able to talk with their pharmacists where their conversations could not be overheard. However, only 7% said they cannot talk to their pharmacists whenever they wish.

A majority of consumers surveyed would like pharmacists to provide information about:

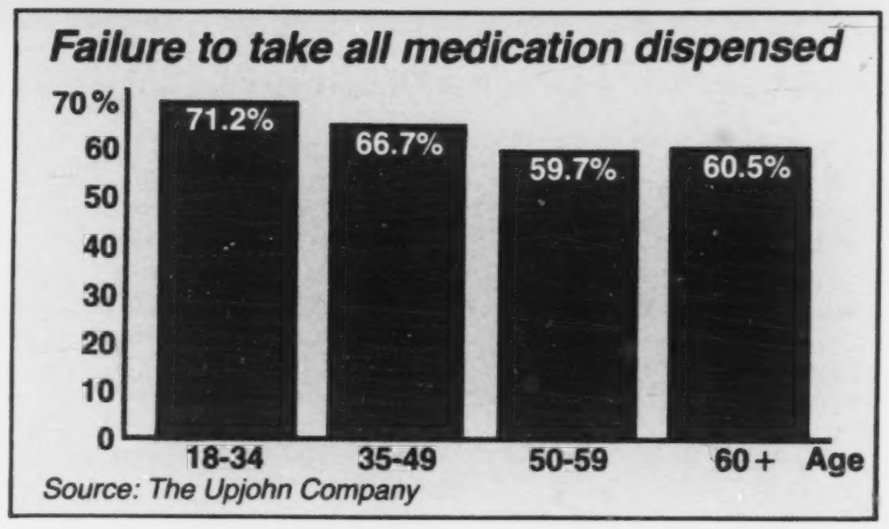
- What drugs to avoid while taking prescribed medication.
- how to properly store the medication.
- possible side effects of the medication.
- food/dr g interactions.
- how to take the prescribed medication.

However, the study showed that when consumers had questions about their prescriptions, 57% asked their doctors for information, while only 15% routinely asked their pharmacists for such information. Twenty-four per cent of the sample asked both medical professionals for information on prescriptions.

A whopping 30% of the respondents had patronized a preferred pharmacy for over 10 years.

Income levels	% not completing course of medication
Under $7,500	53.5
$7,500-$14,999	67.5
$15,000-$24,999	65.1
$25,000-$49,999	71.2
$50,000+	60.8

Source: The Upjohn Company



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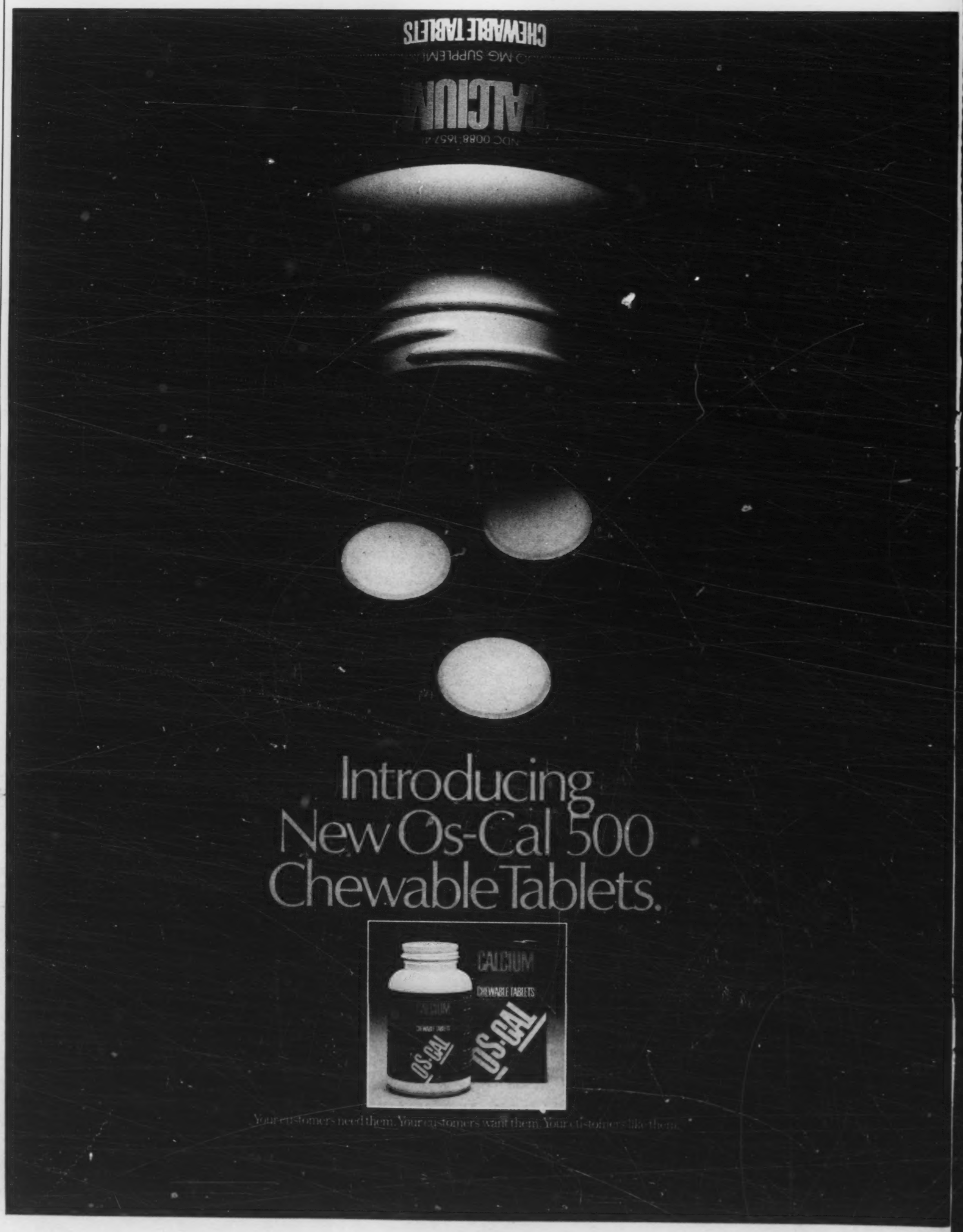

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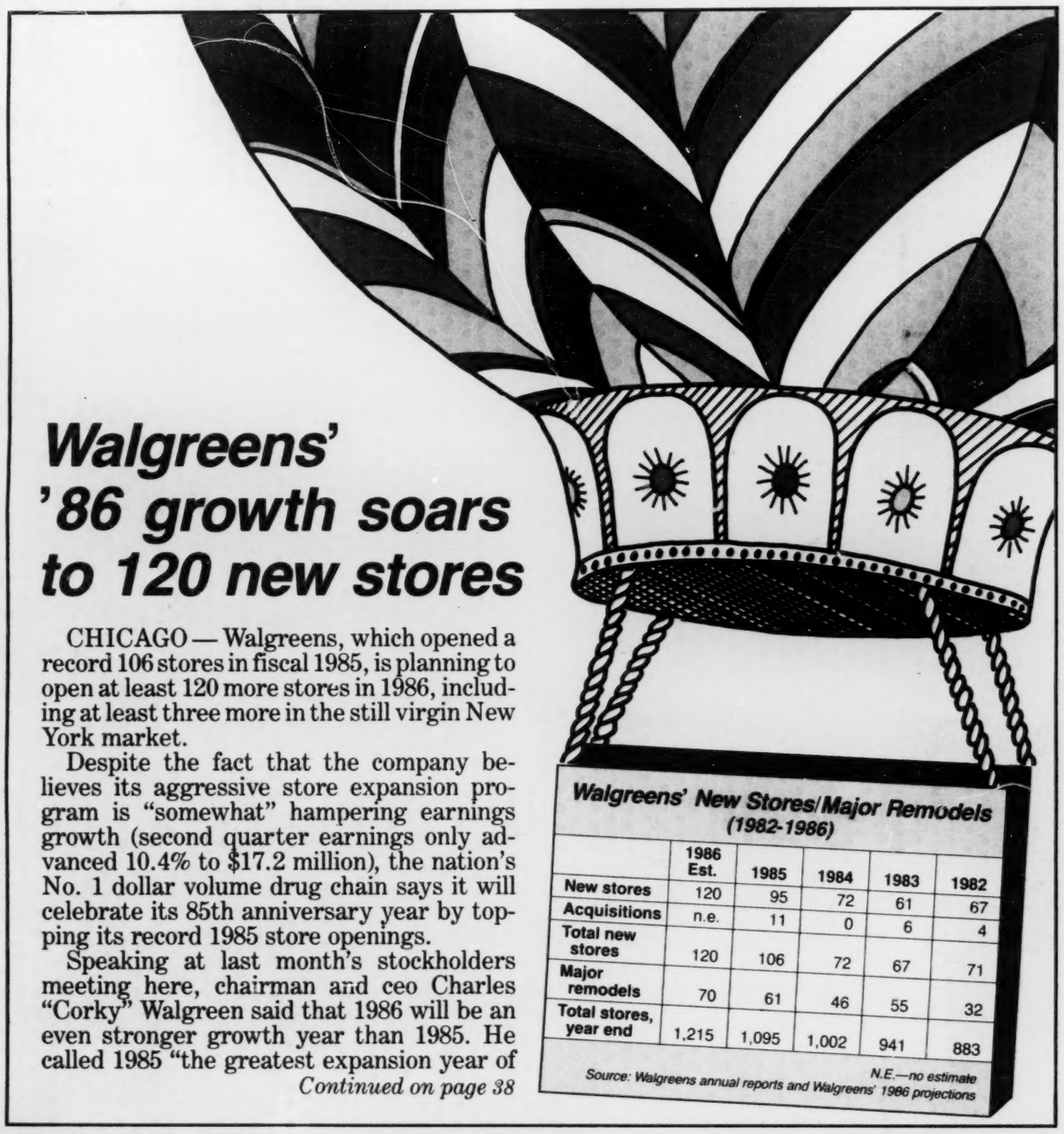
DRUG STORE NEWS®

Vol. 8/No. 3 **Serving chains, wholesalers and high-volume independents for 56 years.** Published by Lebhar-Friedman Inc. February 3, 1986



Walgreens' '86 growth soars to 120 new stores

CHICAGO — Walgreens, which opened a record 106 stores in fiscal 1985, is planning to open at least 120 more stores in 1986, including at least three more in the still virgin New York market.

Despite the fact that the company believes its aggressive store expansion program is "somewhat" hampering earnings growth (second quarter earnings only advanced 10.4% to $17.2 million), the nation's No. 1 dollar volume drug chain says it will celebrate its 85th anniversary year by topping its record 1985 store openings.

Speaking at last month's stockholders meeting here, chairman and ceo Charles "Corky" Walgreen said that 1986 will be an even stronger growth year than 1985. He called 1985 "the greatest expansion year of

Continued on page 38

Walgreens' New Stores/Major Remodels (1982-1986)

	1986 Est.	1985	1984	1983	1982
New stores	120	95	72	61	67
Acquisitions	n.e.	11	0	6	4
Total new stores	120	106	72	67	71
Major remodels	70	61	46	55	32
Total stores, year end	1,215	1,095	1,002	941	883

N.E.—no estimate

Source: Walgreens annual reports and Walgreens' 1986 projections

Adams' new ceo outlines strategy

Sharper pricing and larger stores are part of plan

By Al Heller

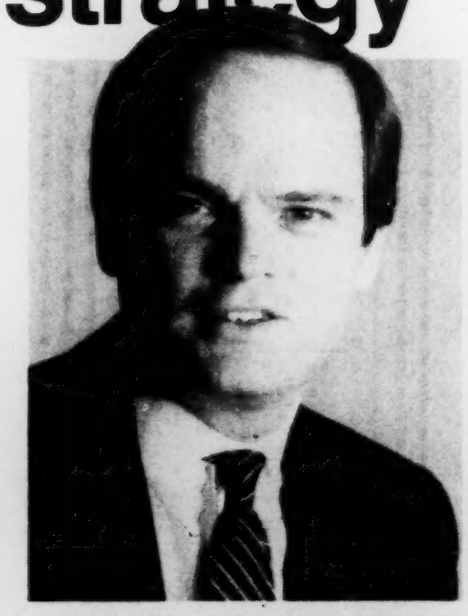
PAWTUCKET, R.I. — There will be a new Adams Drug in 1986.

Under the hand of new president and ceo William S. Sudhaus, 38, Adams is poised to launch major strategic changes on several fronts, which are aimed to strengthen the 417-store chain's presence within its current 10-state northeastern markets.

Those changes include:

- More competitive pricing;
- Bolder site selection strategies, for an estimated 30-40 new stores in 1986, including mall sites and ownership and landlord roles in strip centers;
- Possible acquisition of other drug retailers;
- A buildup of store supervisory ranks, to tie into new store growth and added duties for field managers;
- Rapid development of management information systems, including the possible immediate installation of scanning in 10% of stores, and a current test of pharmacy computers in 10 stores;
- Experiments with new departments such as video rental, as merchandising changes tie into the company's redefined aggressive profits mission under new ownership;

Continued on page 37



"We're developing criteria for drug retailers to acquire. . . . We're revising capital budgets . . . and looking at value situations in the northeast."

—William S. Sudhaus, President and ceo, Adams

Newman to lead F & M in expansion drive

New ceo fine-tunes systems before chain quadruples in size

WARREN, Mich. — F & M, the country's second-largest deep discount drug chain, has a new president and chief executive officer: 37-year-old Frank A. Newman, former senior vp for F. W. Woolworth and an executive vice president for Household Merchandising's retail operations, Ben Franklin variety stores and Coast-to-Coast hardware stores.

Newman, who took command of F & M Jan. 1, will be responsible for expanding F & M from its current 26-store base to over 100 stores by 1990.

In an interview with *Drug Store News*, Newman said his primary objective coming into harness is to "make sure we are equal to sustaining the kind of growth we are plan-

Continued on page 38

Frank A. Newman

F & M Growth Patterns

	1985	1986* Est.	1987* Est.	1988* Est.	1989* Est.	1990* Est.
Number of new stores	7	11	15	17	20	25
Total stores	21	32	47	64	84	109

Source: F & M approximate estimates for fiscal year ending Oct. 30.

Snyder Drug sold in LBO

SANTA MONICA, Calif. — Wickes Companies said it had reached an agreement in principle to sell Snyder Drug Stores, the 54-store Minnetonka, Minn.-based chain to a group headed by Don Beeler, president of Snyder.

In addition, Wickes has also reached agreements to sell its Red Owl Stores division, a retail and wholesale grocery operator, and Western Diversified Services, which markets insurance and automobile warranty programs.

The three operated units accounted for $900 million in 1985 revenues. Wickes expects to realize more than $100 million from the sale of the three units, which will be completed around the end of this month.

RTE NEWS....LATE NEWS....LATE NE

JOSEPH P. POLASTRI has been named president of McKesson Drug Co., the nation's No. 1 wholesaler. Polastri had been the company's executive vp and gm.

ALLAN J. PATRICK has been appointed vp-director of merchandising for Genovese Drug Stores. He replaces Paul Stanton, who resigned to pursue other interests.

Gray Drug Fair rolls out pharmacy promotion Page 19

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MS JEANNE LONG
CONGRESSIVE INFO SRVCS I IFH
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BETHESDA MD 20814

Walgreens is committed to WIN system

CHICAGO — Walgreens intends to spend "millions of dollars" over the course of the next five years to perfect its fledgling Walgreens Information Network (WIN), a system that Walgreens believes will make its drug stores "the most computerized and automated, by far, in the industry."

By the early 1990's Walgreens intends to have WIN microcomputers installed chainwide, linking together all Walgreens stores, offices and other locations.

Chairman and ceo Charles "Corky" Walgreen says that by as early as 1987, the company expects to have an on-line credit card authorization system in place that will save the chain almost $3 million annually in reduced bank charge fees.

Although the planned credit card authorization system will be a part of WIN, Walgreens says that the complete WIN system will take "years to develop.

"We've got lots of work ahead of us to make it a reality," he says, but, in place, WIN will "help our managers reduce payroll, enhance productivity, and improve customer service.

"Just as important, it will provide management with valuable performance information of all kinds. This is a 'hands on' business and the more 'hands on' you can be, the better."

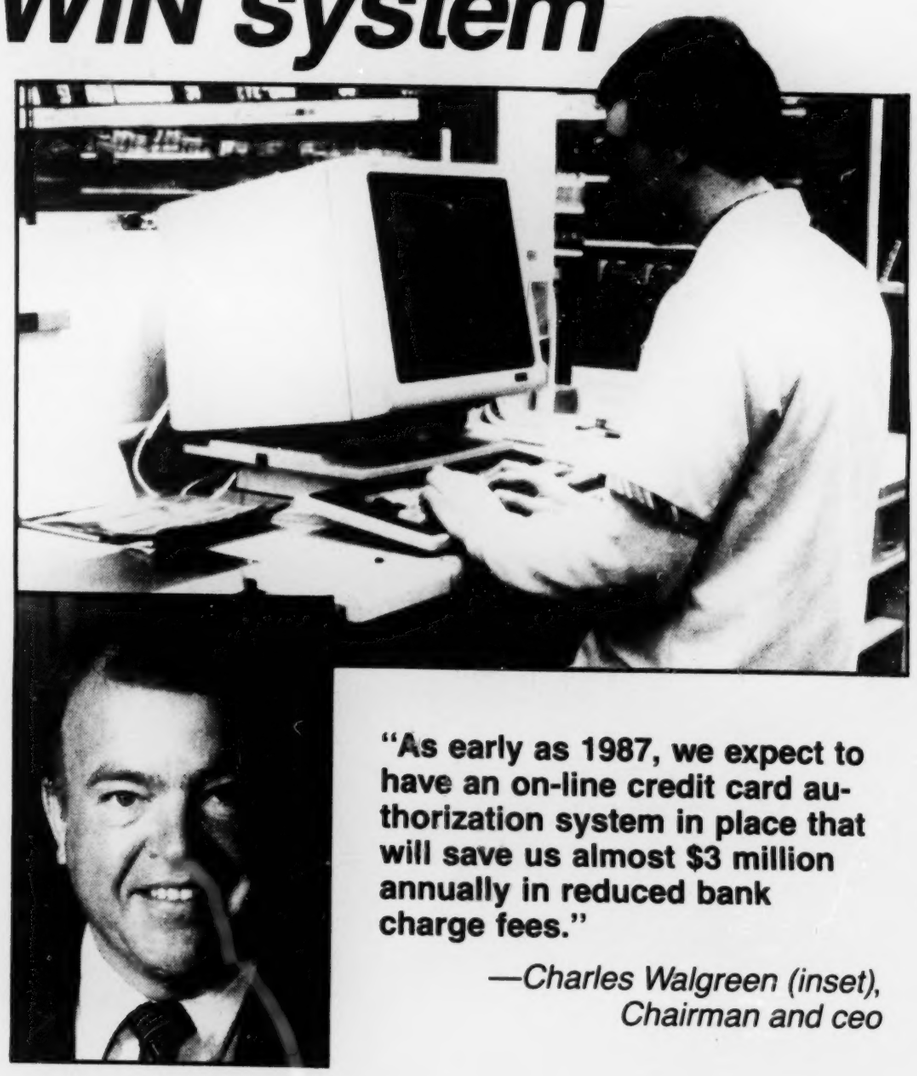
Walgreens currently has more than 100 stores on the WIN system. So far, managers have been using the system to keep track of time and attendance records, to do their payroll and to generate daily cash and sales reports.

Walgreens' president, Fred Canning, has said that stores are averaging between 15 and 20 hours savings a week.

Canning also said that Wallgreens was "fortunate" to have gotten its chainwide Intercom pharmacy computer system in place before the break-up of AT&T.

"We're the leader in pharmacy computers right now," he told stockholders at the company's annual meeting here last month. "Given the time needed for development and testing, plus today's telephone situation, we estimate it would take a large chain like ours four to five years to build an on-line system like ours."

Canning gave the Intercom system some of the credit for Walgreens' strong performance in prescription sales over the past few years.



"As early as 1987, we expect to have an on-line credit card authorization system in place that will save us almost $3 million annually in reduced bank charge fees."

—Charles Walgreen (inset), Chairman and ceo

He pointed out that since 1980, Walgreens has increased prescription sales at least 20% for each year. "That's 20% on top of 20% for at least five years," he said.

For the first quarter just ended Nov. 30, Canning said that prescription sales were up 28%. Total prescription sales for the company will reach $1 billion by 1988. "That's a huge amount when you consider that the entire company just hit the billion dollar mark just about 10 years ago," he pointed out.

Canning said the Intercom system had spiked prescription sales in a number of fascinating ways. "It's more powerful in drawing customers than we ever imagined," he said, "mainly because the public perceives its advantages, like the easy transfer of scripts between stores."

Canning said Walgreens spends "a lot of TV time" promoting both the "transferability and the 24-hour service" available in some stores.

Over 400 Walgreens to have c-food by '87

CHICAGO — Walgreens, which first began experimenting with convenience foods [c-foods] and groceries in 1978, plans to have mini-food "fill in" departments in more than 400 stores by the end of this year.

Walgreens has been steadily expanding its c-food departments since 1982, when the chain ended the year with 42 such departments. At this time last year, the company had 113 stores with c-food departments. Today there are over 200 stores with c-foods, and by January 1987, president Fred Canning says there will be over 400 such departments.

Like Walgreens' other key "targeted" departments—photo finishing, greeting cards, home health care, cosmetics, etc.—c-foods are part of Walgreens'strategy for appealing to the "convenience" minded shopper, the shopper who knows what he or she needs but who wants to be able to get in and out of a retail store "quickly."

"Convenience is our most important requirement," says Canning. "It's our best defense against mass retailers and new deep discount drug stores. We're the neighborhood drug store. Our compact size lets us put stores where people live and work.

In photo finishing, Canning pointed out that Americans spent almost $4.5 billion in 1984, a full 25% of that dollar amount in drug stores.

"Our photo finishing increases," he said, "are running more than 20% annually."

Canning said Walgreens plans to do even better with photo finishing. "That customer is important to us," he said. "She spends an average of six dollars in the store when she drops off her film and another six dollars when she picks it up, plus her photo finishing charges."

In the health care departments, Canning said Walgreens is constantly looking for new lines to service the recuperating and elderly shoppers. He said Walgreens' stores are currently doing a "brisk business" with manual and electronic blood pressure monitors, plus the company is seeing a "tremendous growth" in sales of adult nutritional supplements and incontinence supplies. Both categories, Canning pointed out, weren't even stocked in Walgreens just a few short years ago.

More recently, he said, Walgreens has introduced a new line of surgical dressings like gauze pads and sponges that were once only found in hospitals.

"Now," he said, "they're bought by surgery patients who leave the hospital a few days early and still need a high level of care at home."

Walgreens' health centers grow

Chain will open two more in 1986

CHICAGO — Walgreens is slowly expanding its test of home health care centers.

The nation's No. 1 drug chain will open two more home medical centers in Chicago this year for a total of five. Walgreens first began experimenting with freestanding home health care centers in 1984.

President Fred Canning said the company isn't planning to build any health care centers outside of Chicago yet, but he said that expansion beyond Chicago is certainly a possibility "within a few years."

Walgreens' centers serve walk-in patients plus "thousands" of mail-order customers throughout the country.

In addition to home health care stores, Walgreens also operates one deep discount store, R-Way, inherited from Ribordy Drug, the 26-unit chain acquired last year, plus nearly 100 freestanding Wags restaurants as well as about 90 in-store Wags.

The company has been cutting back on its in-store restaurants to create more space for what Canning calls "convenience consumable categories" like c-(convenience) foods, photo finishing, cosmetics, etc. However, the chain will open another seven Wags in fiscal 1986.

Walgreens plans to open two more home medical centers in Chicago this year to join the three it already has opened since implementing the division two years ago.

Even though deep discount stores are "hot" right now with major chains like Super-Rx, Rite Aid, Perry Drug, etc., committed to either experiments or full-fledged expansions, Walgreens is dubious about the value of that segment of the industry to Walgreens' specific future.

Speaking of the one deep discounter inherited from Ribordy, Canning said the chain might "draw the blind" rather than keep or expand it.

At Walgreens, he said, the final strategy for the future is nothing new. It's attention to the basics.

"We're not interested in diversification," he said. "We're interested in expanding in what we feel is the strongest retail segment in the United States."

About the deep discount stores that "everybody's talking about, I'm happy to report that our stores are performing quite well against these high volume price cutters."

Canning said that Walgreens' experience shows that a deep discounter can hurt a store's sales by about 10%, "but only for the first year. By the 13th month," he said, "our store is back on the track. Customers we lose at first generally return.

"They find we're more convenient, that we offer strong pharmacy service, and that we have the consistent selection of merchandise they're looking for."

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Vol. 8, No. 3 February 3, 1986

FINANCIAL

Revco reports 14% sales gain in 2nd quarter

Revco's net income for the second quarter ended Nov. 16 was down 47% to $5.5 million on a sales gain of 14% to $602 million.

Like store sales for the quarter, however, rose a promising 8.2% compared to just 6.3% for the same period last year. Like store sales for all drug stores, including those opened or acquired within the past year, were up 15.3% vs. 9.4% a year ago.

Year to date sales for the quarter were up 20% to $1.2 billion while six month earnings were down 11% to $14.8 million.

Revco's management attributed the earnings declines to a regionally implemented price reduction program that began in the fourth quarter of fiscal 1985. "Margins for the period," management said, "were adversely affected by the reductions for much of the second quarter."

The price reduction program has now been replaced by a selective pricing strategy, applied on a store by store basis. As a result, management is predicting that gross margins in Revco's core businesses will improve.

In addition to the price reduction program, management also said that an operating loss in Revco's subsidiary Odd Lot division as well as liquidation of an insurance company that had provided coverage for Revco's manufacturing subsidiary has also adversely affected earnings.

Revco said Odd Lot's loss reduced earnings by 6¢ a share while the liquidation of the insurance company incurred a one time $5 million charge against net earnings that reduced net earnings by another 8¢ a share.

Second quarter like store sales for Odd Lot, Revco said, were down 6.2% vs. a decline of 5.6% for last year's second quarter. Total store sales were up 9.1%, but Revco said that was below plan.

Revco continued to keep their Odd Lot store growth stable, adding no new stores during the quarter, but management reaffirmed its faith in the concept, saying that Revco still believes Odd Lot is a "viable business" and that the company is working "to restore its profitability, including studying the retail store's merchandise mix and ways to reduce operating costs in both the retail and wholesale operations.

During the quarter, Revco opened 24 new drug stores for a chainwide total of 1,957 as of Nov. 16th. Eighteen marginal stores were also closed during the quarter, bringing year to date closing of unprofitable stores to 29.

Thrifty net income rises 8%

LOS ANGELES — Unaudited net income before taxes for Thrifty Corporation, which owns the 550-unit Thrifty Drug chain as well as 82 sporting goods stores, and is also a partner in Crown Books and Trak Auto West, increased 8% to $7.8 million for the first quarter ended Nov. 30, according to preliminary figures just released.

Sales for the conglomerate increased 7% to $329.5 million.

During the first quarter of fiscal 1986, Thrifty's management said same store sales for drug stores (sales for all stores two years or older) increased 4%.

Unaudited consolidated income after taxes was $4.1 million, a 10.5% increase.

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 12/27/85 - 01/13/86							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate			Indicated Dvd. rate			Last Fiscal Year			Last Fiscal Year (Per Share)	
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct		Profit Margin	Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	66.50	62.00	62.25	-2.25	-3.49	68.25	47.00	.04	-.94	-5.02	15.50	5.71	.86 N	19.5	34.0	1.5	11.8	.84	1.3	12-09-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	17.25	16.25	16.25	.00	.00	17.63	15.50	-.08	1.03	.30	.00	1.26	.12 S	9.9	5.0	1.1	12.2	.72	4.4	07-15-85	66.1	.7	1.7	13.77	18.84
Big B	BIGB	16.75	15.13	15.63	.50	3.31	19.50	12.13	.48	-.44	-1.08	-26.65	.68	.11 N	18.0	19.0	3.0	21.7	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	5.13	4.50	5.00	.50	11.11	6.13	3.50	.52	1.03	1.81	30.00	.35	-.12 Q	-24.0	NC	1.2	13.2	.60	12.0	05-09-85	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	31.00	29.25	30.50	-.38	-1.21	32.88	20.00	-.13	.84	7.13	-45.93	-.22	-2.61 Q	-100.0	NC	-.3	NE	1.04	3.4	09-09-85	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	9.38	8.50	8.75	-.38	-4.11	13.00	8.00	-.06	-.54	.20	17.81	.62	-.32 N	-48.5	30.0	2.4	25.7	.20	2.3	09-23-85	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	13.00	10.88	12.25	1.13	10.11	15.88	9.13	.35	-.67	1.25	-12.08	1.03	.07 S	6.8	40.0	1.9	11.1	.20	1.6	09-24-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	32.00	29.25	30.75	.00	.00	32.00	23.50	-.10	.04	-3.97	.37	1.88	.10 N	5.5	10.0	2.9	15.9	.72	2.3	08-27-85	1375.8	40.1	2.1	.00	12.23
Medicare Glaser	MGCO	4.50	4.00	4.50	.38	9.09	6.25	4.00	-.03	.66	-3.21	36.36	.05	-.38 *	-88.4	NC	.2	90.0	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Perry Drug	PDS	17.38	15.75	16.25	-.75	-4.41	18.75	11.19	-.51	-.27	-2.58	6.10	.98	.14 F	16.7	16.0	1.8	16.6	.19	1.2	09-11-85	521.6	9.6	1.5	1.60	7.07
Revco Drug	RDS	28.75	25.38	28.00	2.38	9.27	29.50	23.13	.14	.52	2.58	-12.39	1.06	-1.50 S	-65.2	-5.0	1.6	35.0	.80	2.9	08-19-85	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	26.25	24.25	24.88	-.88	-3.40	33.50	21.50	.08	-.15	3.17	-9.20	1.69	-.11 N	-6.7	8.0	4.8	16.2	.50	2.0	10-07-85	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	25.38	23.50	23.88	-1.00	-4.02	25.38	18.13	-.02	-.36	-.07	11.94	1.60	.19 Q	13.3	16.0	2.3	14.7	.60	2.5	05-06-85	1404.9	31.9	1.5	4.46	7.72
Walgreen Co	WAG	28.50	24.25	25.75	-2.75	-9.65	30.25	22.50	-.21	-.56	1.92	10.22	1.53	-.39 Q	-23.1	19.0	3.0	19.8	.50	1.9	11-05-85	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																										
Bergen Bruns	BBCA	34.63	31.88	33.13	.88	2.71	34.63	22.50	.39	.14	-2.34	8.19	1.91	.26 Q	15.8	15.0	1.0	17.3	.32	1.0	10-28-85	2434.9	24.2	1.7	11.68	12.68
Bindley Wstn	BIND	10.13	9.38	9.88	.50	5.33	15.00	7.75	.60	.16	-5.93	-41.51	.73	.15 N	23.4	23.0	.8	12.5	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	20.00	19.00	20.00	.75	3.90	20.00	13.88	.09	1.50	-1.42	.00	1.01	.21 S	23.1	NC	1.2	17.9	.08	.4	01-02-86	320.0	3.7	1.7	.94	8.85
Durr Fillauer	DUFM	13.25	12.25	12.88	.38	3.00	15.25	9.25	-.11	.17	-4.28	-13.08	.74	.07 N	9.9	14.0	1.7	16.5	.14	1.1	07-01-85	341.7	5.8	2.3	1.21	6.05
Foxmeyer Cp	FXM	24.13	21.00	21.38	-1.63	-7.07	29.75	21.00	-.45	-.93	4.55	22.20	1.56	.02 S	1.3	26.0	1.3	13.6	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51
Ketchum	KCH	23.00	20.00	22.50	1.25	5.88	23.25	14.06	.66	1.52	2.19	-4.98	.56	.14 S	35.0	NC	.2	41.7	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	52.38	50.75	50.75	-1.63	-3.10	53.50	37.00	-.10	.34	-1.61	4.35	3.60	.02 S	.5	-1.0	1.3	13.5	2.40	4.7	11-25-85	4887.1	65.0	1.5	12.99	30.40
Moore Med	MMD	22.50	21.00	21.25	-1.50	-6.59	23.38	8.81	.02	-.34	-3.88	-66.03	1.02	.45 N	47.4	18.0	2.9	15.2	.00	.0	05-23-85	115.4	3.3	3.3	2.45	5.25
Owens & Minor	OBOD	18.38	17.50	17.75	.00	.00	18.38	9.00	.07	-.22	-.31	3.97	.95	.23 N	26.1	16.0	1.2	16.0	.28	1.6	09-10-85	306.7	3.6	3.0	5.35	8.54
Manufacturer's transactions																										
Abbott Labs	ABT	71.38	65.25	67.50	2.00	3.05	72.00	43.75	.23	-.15	.77	-5.35	3.34	.52 N	16.3	17.0	13.0	18.1	1.40	2.1	01-09-86	3104.0	402.6	1.9	3.91	13.33
Am Home Prod	AHP	64.38	61.25	62.25	-.38	-.60	66.88	51.75	-.14	.20	.91	14.75	4.39	.26 N	6.0	11.0	15.1	13.6	2.90	4.7	11-06-85	4485.5	675.6	3.4	.26	13.74
Baxter Travenol	BAX	16.38	15.38	16.38	.63	3.97	16.88	12.38	.02	1.38	-3.81	-5.66	.21	-1.06 N	-82.8	-25.0	1.6	74.4	.37	2.3	12-09-85	1800.4	29.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	21.50	20.75	21.00	.00	.00	23.50	14.56	-.27	.41	1.13	-48.05	1.70	.20 S	12.5	11.0	10.5	11.7	.49	2.3	12-03-85	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	17.88	15.00	16.13	-.63	-3.73	22.63	12.00	-.11	-1.42	1.66	-22.52	.61	.10 N	17.2	22.0	18.2	23.7	.03	.2	08-06-85	29.1	5.3	7.5	.00	3.70
Bristol-Myers	BMY	68.25	61.63	62.13	-3.63	-5.51	68.50	51.13	-.10	-1.29	-.01	26.98	3.45	.42 N	12.5	14.0	11.3	16.5	1.88	3.0	09-30-85	4189.4	472.4	2.5	.75	15.63
Carter-Wallace	CAR	52.50	47.75	52.50	3.13	6.33	52.50	26.38	.05	1.64	2.72	-.89	2.66	.77 S	30.1	21.0	5.9	15.8	.60	1.1	11-01-85	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	29.68	27.50	27.88	-.50	-1.76	32.50	17.38	-.28	-.78	-.61	-.64	.73	.36 S	67.9	15.0	17.4	31.3	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	14.50	12.50	12.75	-.25	-1.92	14.50	8.50	.50	-1.88	-.22	-35.79	.00	-.12 N	-85.7	NC	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	11.25	10.38	10.88	-.13	-1.14	12.75	7.13	-.06	.06	-3.41	-21.64	.61	-.21 N	-33.9	47.0	14.6	26.5	.00	.0	09-09-85	151.1	22.1	3.4	2.52	1.60
Lilly Eli Co	LLY	113.50	106.25	106.38	-2.63	-2.41	113.50	66.75	.08	-.51	.71	15.00	6.73	.57 N	8.6	10.0	15.8	14.7	3.20	3.0	11-08-85	3109.2	490.2	1.7	1.63	31.04
Lee Pharm	LPH	9.50	7.75	9.38	1.88	25.00	9.63	3.00	.32	1.81	2.64	-20.96	.40	.27 F	207.7	NC	6.6	23.4	.00	.0	00-00-00	12.2	.8	3.0	.20	1.73
Marion Labs	MKC	47.13	43.00	46.25	-1.00	-2.12	47.25	23.13	-.04	1.00	-1.11	-22.11	.94	.39 Q	56.5	36.0	12.2	42.8	.36	.8	12-16-85	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	142.25	134.50	136.75	1.13	.83	142.25	92.25	.13	-.18	1.60	17.55	6.71	.71 N	10.9	6.0	13.8	18.9	3.60	2.6	12-03-85	3559.7	493.0	2.0	2.48	35.29
Morton Thiokol	MTI	38.63	36.00	36.25	-1.00	-2.68	40.50	27.63	-.01	-.85	1.90	-13.95	2.50	.29 Q	12.8	21.0	6.7	14.2	.70	1.9	11-18-85	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	18.38	16.00	16.25	-1.50	-8.45	26.00	13.50	-.68	.37	-.72	-5.82	.52	.38 S	115.2	64.0	23.3	22.9	.05	.3	02-19-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	13.25	12.75	12.88	-.38	-2.83	14.50	5.38	.09	.55	-4.46	-4.95	.05	.00 S	NE	NC	6.7	NE	.80	6.2	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	18.00	15.50	18.00	1.75	10.77	23.25	10.34	-.71	4.50	-1.73	13.94	.42	-.05 F	-10.6	80.0	12.7	42.9	.00	.0	00-00-00	21.3	2.7	3.3	.00	1.84
Pfizer Inc	PFE	53.00	48.50	49.63	-1.13	-2.22	56.25	37.63	-.38	-.67	1.21	8.29	3.08	.37 N	12.3	15.0	13.2	14.6	1.48	3.0	07-26-85	3854.5	507.9	2.3	2.10	15.45
Reid Prov Labs	REID	5.88	5.63	5.88	-.13	-2.08	6.63	3.63	.34	1.80	6.36	10.71	.13	.02 Q	16.7	26.0	6.0	42.0	.04	.7	12-10-84	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	12.63	11.13	12.00	.88	7.87	24.38	5.50	.12	.11	4.87	-4.64	-18.44	-18.79 N	-100.0	NC	-73.0	NE	.00	.0	11-19-84	631.9	-461.6	1.7	.47	-5.23
Rorer Group	ROR	38.50	35.00	38.38	2.13	5.86	47.00	26.00	-.04	2.16	-4.11	39.93	2.08	-.04 N	-1.9	4.0	8.5	18.8	1.12	2.9	11-04-85	522.1	44.3	1.9	2.18	11.07
Scherer RP Co	SCHC	15.38	13.75	13.75	-1.63	-10.57	15.50	9.50	.08	-1.74	-1.18	16.08	-.43	-.96 S	-100.0	NC	-2.0	NE	.32	2.3	12-09-85	167.4	-3.4	1.7	4.07	9.72
Squibb Corp	SQB	83.75	78.50	83.13	2.25	2.78	83.75	49.75	-.02	1.04	-1.06	17.11	3.68	.46 N	12.9	21.0	10.5	20.6	1.76	2.1	11-08-85	1886.0	197.2	2.3	3.74	24.87
Sterling Drug	STY	39.38	36.38	37.00	-.88	-2.31	41.38	26.75	-.10	-.46	1.73	8.96	2.37	.13 N	5.6	4.0	7.8	15.0	1.20	3.2	11-07-85	1827.3	143.4	2.6	1.32	15.34
Syntex Corp	SYN	46.75	41.75	42.13	-2.13	-4.80	46.75	25.06	.08	-.34	-3.02	26.59	2.33	.55 Q	27.5	15.0	15.8	16.5	1.20	2.8	12-16-85	948.5	150.0	2.1	2.68	9.40
Thompson Med	TM	15.00	13.50	14.25	.38	2.70	18.38	11.75	-.14	.25	2.77	6.70	2.20	-1.04 N	-46.0	15.0	10.8	11.7	.40	2.8	12-23-85	197.2	21.2	4.3	.00	7.09
Upjohn Co	UPJ	134.63	123.50	127.50	-7.38	-5.47	141.50	70.38	-.41	.58	-1.33	-.95	5.67	.39 N	6.9	1.0	8.0	21.0	2.80	2.2	01-03-86	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	48.88	45.75	47.50	-.38	-.78	49.38	33.75	.20	1.01	-.26	10.56	2.81	.27 N	9.7	7.0	7.1	15.6	1.56	3.3	11-04-85	3166.7	223.9	1.7	6.47	18.18
Zenith Labs	ZENI	24.75	18.75	19.25	-5.00	-20.62	29.50	7.09	-1.11	-1.16	3.67	8.01	.28	.97 N	510.5	89.0	7.7	16.6	.00	.0	06-19-85	37.5	2.9	2.6	.27	1.99

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes: NA - Not Applicable; NC - Not Calculable; NE - Negative Earnings; NM - No Meaningful Figure; Q - First Quarter; S - First 6 Months; N - First 9 Months; F - Fiscal Year

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MERCHANDISER

Charcoal grills under $40 heat up sales

Drug store shopper demand for more durable portable grills is fueling market growth, while foreign knockoffs of American products force down prices. The current swing, said buyers, seems to be toward charcoal grills at retails under $40, and somewhat costlier gas grills.

Drug chain buyers expect barbecue grill sales to grow through 1990, as they hold their share of the market. Drug stores accounted for 5% of the $570 million retail sales market in gas, electric and charcoal grills in 1985, the same share as the previous two years, according to the Barbecue Industry Association (BIA).

Most chains primarily offer portable charcoal and gas grills, since they generally don't have space to carry broad selections of the larger scale models, and customers don't expect to find such hardware items in a drug store.

Longs, Pay Less, Walgreens and Fay's are among chains carrying charcoal and gas grills, but at different ends of the business. Fay's and Walgreens emphasize smaller models; Longs and Pay Less, more midsized products, with Longs also merchandising a broad accessories assortment.

"I don't think that's the place for us to be," said one chain buyer, referring to the market's high end. "You have to give the customer a good selection with at least three sku's, and I don't think people go to the drug store for that type of merchandise." He added his chain will stay with low-end charcoal grills, including Sunbeam at a $35 retail.

Meantime, buyers said they'll look for portable and gas grills to propel category sales, as customers trade up

"The customer is looking for more features. While he used to take a $3 grill to the beach, now he's taking a portable propane gas grill," said one buyer.

Meanwhile drug chain buyers are flocking to offshore sources for less costly knockoffs, which enable them to sell fuller-featured models at low prices.

That's not particularly good news for manufacturers such as Weber-Stephens Products Inc., Pallatine, Ill., which was forced to reduce its wholesale prices 28% to 40% for 1986 on its portable charcoal and gas grills, said Weber-Stephens national sales manager Stan Gudas.

"We're seeing a great deal of imported goods, 10 or 12 models from overseas, mostly from the Far East," said Gudas.

What Americans spend to barbecue (in millions)

Food and grocery items	$4,800
Barbecue grills	570.0
Charcoal briquets	418.0
Lighter products	143.0
Tools and equipment	31.0
Miscellaneous	4.6
Total consumer expenditures	**$5,900**

Source: Barbecue Industry Association, 1985.

Value seen prime factor in coolers

Drug store retailers are taking advantage of new picnic cooler offerings at lower wholesale prices than last year, as the manufacturers' competition heats up in the $250 million market.

At the same time, buyers see growing demand for rugged, hardsided coolers.

Vendors such as Thermos, Gott and Coleman are offering new products and price reductions to challenge the dominance of Igloo, whose Playmate line is regarded by buyers as the best known of hardsided, personal coolers.

"In the past, retailers tried to stay under $10. That's impossible if you want to sell anything with any kind of quality," said James Kays, a buyer with Taylor Drugs.

Taylor is adding 4 ft. to its seasonal cooler category, and replacing Bee Plastics products, which it has carried exclusively, with nine sku's by Gott, including 16- and 35-qt., and 6-pack coolers, jugs and Underwriter Laboratories-approved plastic gasoline cans.

After shopping the market, Kays said he realized he could achieve better net costs with Gott, and provide an upgraded product line tailored to his current customer demand.

Kays' effort to upscale the cooler offerings won't take Taylor above the $20 price range Kays believes customers are willing to accept, and he is also avoiding Thermos' coolers with pockets, which hold items such as sunglasses and suntan lotion.

"Sure it's good if somebody is going to the beach, but we're 900 miles from the nearest beach," said Kays, adding that Taylor, in any case, is avoiding the higher-priced lines.

Despite Taylor's reservations, other retailers such as SupeRx, Osco and Kroger have been more receptive to such features, said a Thermos spokesman.

Market tests showed that customers are looking for larger sizes, he said.

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Manufacturers say new shades sport new shapes, textures, colors

What is it that rock singer Madonna, Miami Vice co-star Don Johnson, and Chicago Bears quarterback Jim McMahon have all succeeded in doing for the fashion scene?

They've made "shades" or sunglass an "in" accessory, of course. Sunglass manufacturers today are predicting that what will sell sunglasses to 1986 shoppers is glamour.

For Myron Orlinsky, chairman of Visual Scene, color will be an important fashion ingredient.

Orlinsky also predicted that in frames "tortoise shells" will be big. He also said that nylon will be an important new technological breakthrough for the frame as will all-weather, polarized treatments for lenses.

At Foster Grant, the fashion image is on funky colors: purple, fuschia and pink in the Winter Eyes mirrored lens line. Dazzles with stones are also showing up on Foster Grant frames while Patterns is getting geometric designs.

Foster Grant also has some functional fashion lines coming out: Drivers Choice with darker lenses to cut glare and Active Life with a foam insert that lets the frame float.

Norman Silk, director of marketing at Bausch & Lomb, said the company is planning a larger Wayfarer for '86.

This is in addition to its Ray-Ban aviator frame, which has leather and tortoise shell.

Alvin Goldgram, president of Opti-Ray, said, "We're going from a forward to a revival look with smaller eye shapes, a rounder eye, and black and tortoise shell both very hot.

"Also with bold frames, Wayfarer variations, patterned frames with geometric and abstract designs, and a full range of colors, we've got a look ahead," he added.

Sunglass sales

Outlet	Units (in millions)	Share of $1.02 billion retail market (%)*
Premiums, catalogers	70	18%
Mass merchants	26	15
Drug stores	21	20
Department stores	21	25
Food stores	14	10
Optical outlets	8	15

Source: Sunglass Association of America, 1985 projection.

Note: Numbers don't add up to 100% because of rounding.

'86 Trends

Continued from page 13

Buyer
Midwest chain

"It's a fashion-oriented business, but in the Midwest we're behind the two coasts. We like to pick vendors a year ahead of time, so we don't get into trendy stuff.

"We use two vendors—Visual Scene is the primary one, and we're testing Bonneau. Bonneau is more fashion-oriented. But it's the system that's important to us.

"We're not looking for outside trucks or salesmen to come in and start moving things around on our shelves. We like to have a warehouse program. We keep 26 sku's in the warehouse. That gives us the kind of control we want. We set the program; Visual Scene keeps us in stock.

"We'll use the past history of what sold well to buy. We're interested in consistent sales, not in taking chances on selling hot items, then maybe have a lot left.

"We have one spinner rack full time, another rack for spring and summer. We keep it close to pharmacy so pharmacy can keep an eye on it. It must be watched. We take a high gross profit margin on sunglasses because we lose some [to theft].

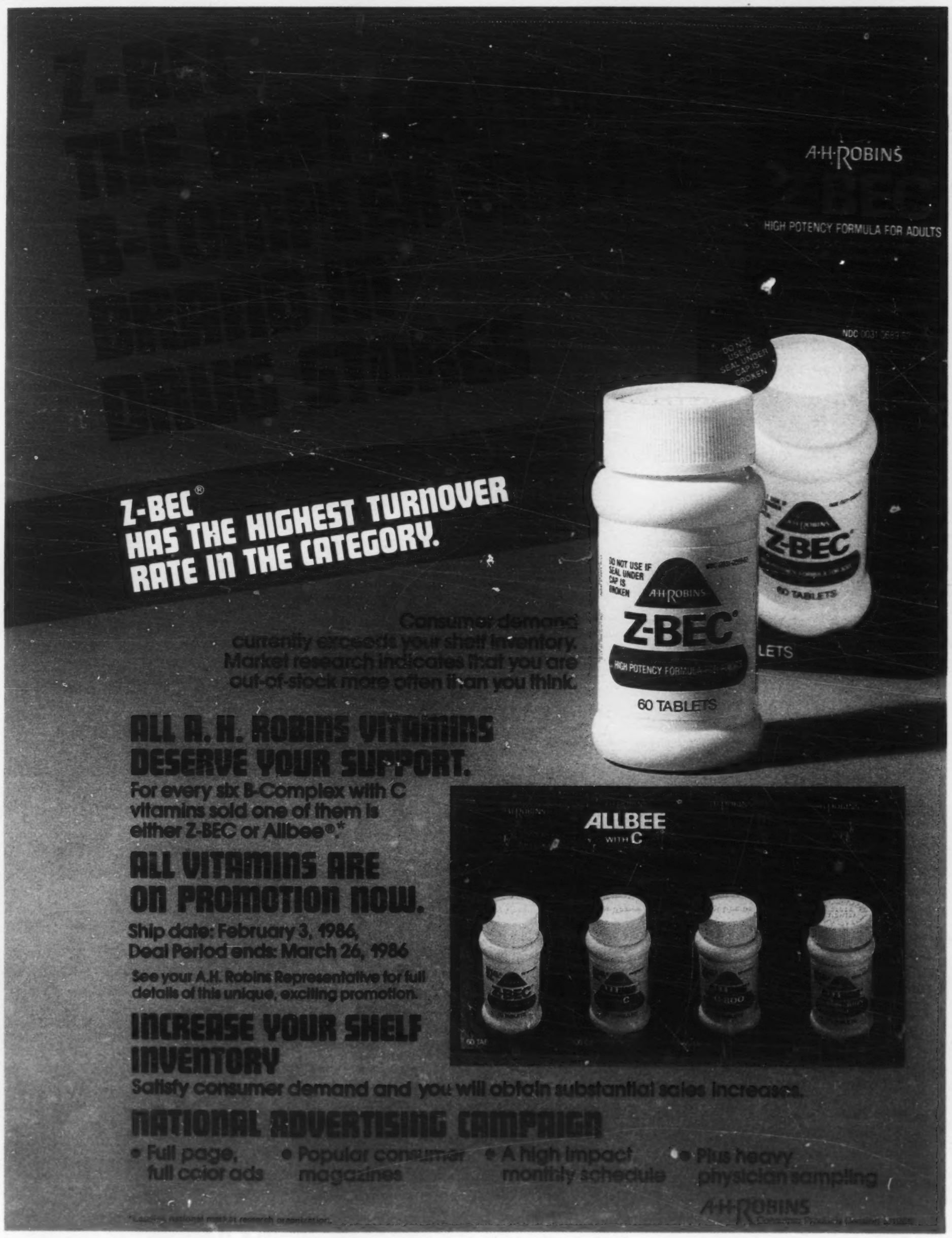
"Last year was a very good year. If we can keep up with last year's growth, we'll be all right.

"The two things that are important are promoting at key times and good weather. Also, the economy is important. It's discretionary money [that is spent on sunglasses]. If the economy is bad, so are sales."

Average retail sunglass prices

Optical outlets	$18.75
Department stores	11.91
Drug stores	9.50
Food stores	7.14
Mass merchants	5.17
Premiums, catalogers	2.57

Source: Sunglass Association of America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Cough and cold products for children—p. 65

DRUG STORE NEWS

Vol. 8/No. 4 **Serving chains, wholesalers and high-volume independents for 56 years.** Published by Lebhar-Friedman Inc. February 17, 1986

Revco decides to spin off General Computer

TWINSBURG, Ohio — Revco is spinning off its General Computer Corp. business into a new public company in which Revco will retain a 31.7% interest.

General Computer, a developer and marketer of retail pharmacy computer systems that Revco bought in 1979, has filed a registration statement with the Securities and Exchange Commission for a proposed initial public offering of 939,708 common shares.

A Revco spokesman said the sale is a result of a decision that General Computer has the potential to succeed on its own in the pharmacy systems market. He also suggested that the sale indicates that Revco is less interested in running businesses outside of its core drug store operations.

"We felt that they had matured to the point where they're ready to go out and compete in the marketplace," the Revco spokesman said, adding, "We're retailers, not computer people."

Indeed, one industry observer suggested that Revco's concern to concentrate on its drug store business is the primary reason for the spinoff, which is also providing the benefits of income from the sale of stock, and an equity interest in a potentially profitable business.

"I think to some extent what you're looking at is a situation where Sidney Dworkin has put up with an awful lot of disturbances from the outside," he said, pointing to Revco's recent problems with its Carter-Glaugau Laboratories unit, over the F-Ferol vitamin supplement, and the costly struggle with the former owners of its Odd Lot off-price retail store division.

"We felt that they had matured to the point where they're ready to go out and compete in the marketplace. We're retailers, not computer people."
—A Revco spokesman

The General Computer sale is a step toward "allowing management to concentrate on the basic business," he said.

Under the proposal, handled by McDonald & Company Securities, Cleveland, as the underwriter, General Computer will issue 333,333 new shares of stock, and Revco will sell 606,375 shares of the 1,068,750 it now owns. The sale will leave 1,458,333 shares outstanding, with Revco retaining 462,375 shares—a 31.7% interest. The two other major shareholders would be Joseph Adams, General Computer's chairman of the board and cfo, with 1%, and Richard Pilarczyk, president, ceo and founder, with 2.9% of the new company.

With the sale of its shares, Revco will earn from $6.6 million to $7.8 million if the shares sell at $11 to $13 per share as projected in a preliminary prospectus. Analysts said they expect Revco to use the bulk of the money, which several characterized as a fairly minor sum, to offset part of the high debt level it is carrying, or to help pay for its store expansion program.

As of Nov. 16, Revco was heavily leveraged with $70 million in short-term debt, and $258 million in long term debt. Debt was inflated in 1985 by the $100 million purchase of the stock held by the former Odd Lot owners, and the $40 million purchase of the Carl's Drug chain.

Computer General could also turn out to be a profitable equity investment.

"If it goes out into the market and does well, it would be a real asset value," said Jonathan Zeigler, an analyst with Sutro.

NEWS IN BRIEF

Bergen Brunswig buys Berry

ORANGE, Calif. — Bergen Brunswig has completed the acquisition of Berry Wholesale Drug Company, Antioch, Tenn. The acquisition, which was for an undisclosed amount of cash, gives the nation's second largest drug wholesaler control of Berry which has sales of approximately $50 million a year. Berry operates a large new distribution facility in a suburb of Nashville.

Fazio's to build new warehouse

MESQUITE, Tex. — To improve warehouse efficiency, Fazio's will build a 35,000-sq.-ft. storage facility adjacent to its 65,000-sq.-ft. deep discount drug store here. Completion is scheduled for this summer.

The new facility will replace leased storage space in Dallas, 20 minutes from the store.

Super-Pharm tests suburban Israeli unit

TEL AVIV — Super-Pharm is opening its 10th drug store in Israel this month, but its first outside an established business center. The 4,000-sq.-ft. store is on a major artery outside a suburb of this city.

Chairman Leon Koffler, whose family founded the Canadian Shoppers Drug Mart chain, considers the store a test of its self-service concept in a location that has no neighborhood trade.

His chain, he said, is patterned after self-service drug stores in the U.S., but he hasn't been imitated in Israel yet. "Available space in central business districts is tight here. Most drug stores are service oriented and 600-1,000 sq. ft.," he said.

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Vol. 8, No. 4 February 17, 1986

Lawton's to open racetrack unit; to have 16 doctors as neighbors

HALIFAX, Nova Scotia — Lawton's Drug Stores Limited, a 60-store Canadian chain, is opening its first race track store on the ground level of a four-story medical building here.

The 9,600-sq.-ft. dual-entrance store is designed to emphasize the pharmacy, since the building's top three floors house 16 doctors' offices, a setup they expect to fuel drug sales.

Lawton's objective is to achieve higher margins with stronger Rx sales, a home health care center new to Lawton stores, and expanded departments that are possible because the store is about 3,000 sq. ft. larger than the chain's typical bantam store.

"Margins are tight in our industry. But we would hope, with an expanded mix and higher pharmacy sales, we would improve margins," said Don Kyle, vice president and general manager.

The new home health care center will include two surgical fitting rooms and an office for a full-time registered nurse.

Also new here are a cash dispensing machine at the store's front entrance, and expanded sku's in H&BA, OTC and cosmetics.

The pharmacy is raised several feet above the floor level, and located at the center rear of the store, where it will be immediately visible from the front and rear entrances. The racetrack is a 4-ft.-wide, diamond-shaped walkway laid with orange tile.

The track's first leg off the left front of the store runs directly toward pharmacy. A 20-ft. food section, household items and baby care are along the left wall, with OTC drugs in the left rear corner, adjacent to the pharmacy.

Past the 20-ft. pharmacy counter, the track angles 90° and runs diagonally to the rear entrance, which opens off a 1,000-sq.-ft. foyer. The home health care center is located between the pharmacy and rear entrance.

At the rear entrance, the track again angles 90° toward the store front, passing pegged cosmetics, cards and party goods in the front right corner. Along the front wall, which is visible from the track's fourth leg, are more pegged cosmetics and stationery.

H&BA dominates the center of the diamond, and are set on 60-in.-high gondolas of varying lengths near seasonal and promotional areas.

"Our goal was to try to get maximum exposure through the whole store," said Kyle.

In staffing, the store will resemble Lawton's conventional units, except that two pharmacists rather than one will be on duty most of the time to handle the anticipated Rx traffic. The pharmacy has an unusual step-down counter which allows the pharmacists to talk with customers at store level. It also includes an enlarged counter area, and a compounding room.

Store decor includes raised plastic lettering to designate departments on plastic grid backgrounds.

The store also features a Sweda computerized cash register system, which allows electronic sharing of sales information among departments.

The store is adjacent to a Sobey's Food Store.

Big B opens $7M warehouse

Expansion causes it to outgrow old facility

BIRMINGHAM, Ala. — Big B's recent opening here of a 240,000-sq.-ft. distribution center is expected to help the chain handle its recent heavy expansion.

The $7 million warehouse replaces a 90,000-sq.-ft. facility which the chain leased here, and will give Big B room to stock the greater amounts of merchandise it needs for its 125 drug stores, four home health care stores and five food and drug combos. It's expected to be able to service as many as 250-300 stores.

The chain opened 21 drug stores in 1985 and plans to open more than 25 drug stores in 1986 to bring its total above 150, said Bobby Little, vp, store operations.

Little said Big B expects to add about 20 stores a year during each of the next four or five years. Existing stores range from 4,500-20,000 sq. ft., with the prototype for the new stores 8,500-9,000 sq. ft., Little said. He said there are no plans at this time to open new combos.

"We were making it [with the old warehouse], but we were outgrowing it," Little said. "We were in a small house with a growing family."

The new warehouse, which is capable of serving all Big B stores in a 350-400 mile radius, will provide greater efficiency and will enable the chain to stock more merchandise. The $180 million chain has stores in a 350-mile radius throughout Georgia, Alabama, Tennessee, Florida, Tennessee and Mississippi. The new stores will be in new markets in those states.

About 70% of the chain's merchandise now flows through the warehouse, with about 90% in pharmacy items. Little said the percentage of general merchandise may increase.

Automated with flow racks, conveyor belts and a scanner which slots orders according to where they are going, the new warehouse is expected to pay for itself by the end of the first year, said Mac Jones, vp, finance.

FINANCIAL

Rite Aid's third quarter earnings dip 8%

SHIREMANSTOWN, Pa. — Rite Aid Corp. reported that third quarter earnings decreased 8%, hurt in part by reduced profits in its Super Rite Food wholesale and retail grocery company.

Net income from continuous operations was $14.2 million, or 34¢ a share, compared to $15.4 million or 37¢ a share in the previous third quarter.

Sales in the 13-week period ended Nov. 30 advanced from $345.7 million to $388.9 million, a 12.5% gain.

Year-to-date sales, for 39 weeks, reached $1.135 billion, 15.2% higher than 1984's sales of $985 million. Profits from continuing operations are $43 million, or $1.04 per share, vs. $45 million or $1.09 per share in the previous year.

The company said that Super Rite Foods, which is 46.8% owned by Rite Aid, contributed equity earnings of $140,000, down from $590,000 last year, as a result of software defects that caused lost revenues at its 500,000-sq.-ft. distribution center. The company said the problems have been corrected.

ADAP, the retail auto parts division, broke even in the third quarter, recovering from a $128,000 loss in the previous comparable quarter, due to operating refinements.

Encore, the discount book division, grew 18.5% in sales from $3.3 million to $3.9 million, with profitability meeting budget goals.

Rite Aid also said that Super Drug, PLC, the British health & beauty aid chain in which the firm has a 28.2% interest, increased its contribution to equity earnings with $735,000, compared to $671,000 in 1984's quarter.

Rite Aid chairman of the board and president Alex Grass said Rite Aid ended the quarter with 1,369 drug stores in 20 states, 59 ADAP auto parts stores and 22 Encore book stores.

Following an aggressive new store opening schedule, Grass said the company should open its 1,400th drug store by the end of the fiscal year. He said Rite Aid is continuing a rapid installation schedule for video rental departments, which are now in over 500 stores, and will continue upgrading existing stores with point-of-sale scanning terminals and pharmacy computers.

Bergen has record first quarter

ORANGE, Calif. — Bergen Brunswig Corp. reported record first quarter earnings and revenues for the three months ended Nov. 30. Its drug company operations alone logged a sales increase of 53%, and an operating earnings increase of 33%.

Net sales among all divisions increased by 54% from $492.5 million to $760.3 million, with net earnings climbing 15% from $5.4 million, or 41¢ a share, to $6.2 million, or 46¢ per share for the quarter.

Sales and growth were strongly influenced by recent acquisitions, which have included Berry Wholesale Drug, the Allen Co. and Davis Bros.

The medical supply company reported a sales increase of 69% for the quarter, with operating profits up 87%.

Name	Symbol	STOCK PRICE From 01/10/86 - 01/27/86 High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	TREND TO MARKET Price Trend (% per day) Last 30 Days	Price Trend (% per day) Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend (% per day) Last 5 Days	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt		Latest 12 Months vs Preceding 12 Months Change Pct		5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. rate Amt.	Indicated Dvd. rate Yield	Last X-Dvd. Date	FINANCIAL POSITION Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Last Fiscal Year (Per Share) Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$		%		%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																												
Am Stores	ASC	64.75	62.00	63.13	.75	1.20	68.25	48.63	-.05	-.66	-1.07	-22.67	5.71	.86	N	19.5	34.0	1.5	12.0	.84	1.3	12-09-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	16.25	16.25	16.25	-.50	-2.99	17.63	15.50	.07	-.32	.03	.00	1.26	.12	S	9.9	5.0	1.1	12.2	.72	4.4	01-14-86	66.1	.7	1.7	13.77	18.84
Big B	BIGB	15.88	15.13	15.88	.00	.00	19.50	13.00	.20	.66	-.29	35.98	.68	.11	N	18.0	19.0	3.0	22.0	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	5.13	5.00	5.00	.00	.00	6.13	3.75	.74	-.12	-3.59	71.43	.35	-.12	Q	-24.0	NC	1.2	13.2	.60	12.0	05-09-85	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	31.00	29.25	30.25	.13	.41	32.88	20.00	-.01	.29	2.92	-7.45	-.22	-2.61	Q	-100.0	NC	-.3	NE	1.04	3.4	09-09-85	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	10.00	8.50	9.63	.88	10.00	12.75	8.00	.20	.70	.54	-6.04	.62	-.32	N	-48.5	30.0	2.4	28.3	.20	2.1	09-23-85	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	13.75	12.13	13.38	1.13	9.18	15.88	9.13	.78	.32	-1.21	-18.35	1.03	.07	S	6.8	40.0	1.9	12.2	.20	1.5	09-24-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	31.00	29.25	30.75	1.00	3.36	32.00	24.00	-.06	.47	-5.58	17.90	1.88	.10	N	5.5	10.0	2.9	15.9	.72	2.3	08-27-85	1375.8	40.1	2.1	.00	12.23
Medicare Glaser	MGCO	4.50	4.00	4.50	.00	.00	6.25	4.00	.27	-1.40	-4.47	52.70	.05	-.38	*	-88.4	NC	.2	90.0	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Perry Drug	PDS	17.00	15.38	16.75	.50	3.08	18.75	11.19	-.32	1.39	-6.23	-15.21	.98	.14	F	16.7	16.0	1.8	17.1	.19	1.1	09-11-85	521.6	9.6	1.5	1.60	7.07
Revco Drug	RDS	28.63	26.38	27.00	-.88	-3.14	29.50	23.13	.31	-.05	-1.84	-5.02	1.06	-1.50	S	-65.2	-5.0	1.6	33.8	.80	3.0	08-19-85	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	25.75	24.25	25.13	.38	1.52	33.50	21.50	-.06	.14	-1.68	8.88	1.69	-.11	N	-6.7	8.0	4.8	16.3	.58	2.3	01-13-86	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	24.13	23.50	24.00	.25	1.05	25.38	18.13	-.13	-.17	-2.02	16.61	1.60	.19	Q	13.3	16.0	2.3	14.8	.60	2.5	05-06-85	1404.9	31.9	1.7	5.86	6.85
Walgreen Co	WAG	26.50	24.88	26.13	.25	.97	30.25	22.50	-.45	.11	2.24	34.55	1.53	-.39	Q	-23.1	19.0	3.0	20.1	.50	1.9	02-11-86	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																												
Bergen Bruns	BBCA	33.63	33.00	33.13	-.38	-1.12	34.63	22.50	.25	-.40	-2.78	7.45	1.91	.26	Q	15.8	15.0	1.0	17.3	.32	1.0	10-28-85	2434.9	24.2	1.7	11.68	12.68
Bindley Wstn	BIND	10.13	9.88	9.88	.00	.00	15.00	7.75	.37	-.19	-2.62	18.31	.73	.15	N	23.4	23.0	.8	12.5	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	20.25	19.50	20.25	.25	1.25	20.25	14.53	.19	.19	-4.04	-17.66	1.01	.21	S	23.1	NC	1.2	18.1	.08	.4	01-02-86	320.0	3.7	1.7	.94	8.85
Durr Fillauer	DUFM	13.00	12.50	12.50	-.25	-1.96	15.25	9.25	.11	-.12	-3.29	-70.61	.74	.07	N	9.9	14.0	1.7	16.0	.14	1.1	07-01-85	341.7	5.8	2.3	1.21	6.05
Foxmeyer Cp	FXM	25.25	20.75	24.75	3.00	13.79	29.75	20.75	.02	.61	4.66	-10.15	1.56	.02	S	1.3	26.0	1.3	15.8	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51
Ketchum	KCH	22.88	21.50	22.00	-.50	-2.22	23.25	14.06	.32	-.22	-6.12	33.33	.56	.14	S	35.0	NC	.2	40.7	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	51.63	49.50	51.25	.25	.49	53.50	37.63	-.11	.51	-.90	-56.51	3.60	.02	S	.5	-1.0	1.3	13.6	2.40	4.7	11-25-85	4887.1	65.0	1.5	12.99	30.40
Moore Med	MMD	21.25	20.00	20.00	-1.00	-4.76	23.38	9.66	-.43	-.44	-10.77	32.28	1.02	.45	N	47.4	18.0	2.9	14.3	.00	.0	05-23-85	115.4	3.3	3.3	2.45	5.25
Owens & Minor	OBOD	17.75	16.88	17.25	-.25	-1.43	18.38	9.16	-.13	.20	-2.70	8.84	.95	.23	N	26.1	16.0	1.2	15.5	.28	1.6	09-10-85	306.7	3.6	3.0	5.35	8.54
Manufacturer's transactions																												
Abbott Labs	ABT	69.13	63.38	63.75	-3.00	-4.49	72.00	46.00	-.03	-1.35	-.81	8.38	3.88	.54	F	16.2	18.0	13.8	16.4	1.40	2.2	01-09-86	3360.3	465.3	1.9	3.91	13.33
Am Home Prod	AHP	64.38	61.88	64.25	2.13	3.42	66.88	54.50	.02	.13	.22	-19.70	4.70	.31	F	7.1	11.0	15.3	13.7	2.90	4.5	11-06-85	4684.7	717.1	3.4	.26	13.74
Baxter Travenol	BAX	16.50	15.88	16.13	.00	.00	16.88	12.38	.27	-.25	-2.64	2.67	.21	-1.06	N	-82.8	-25.0	1.6	73.3	.37	2.3	12-09-85	1800.4	29.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	22.50	21.00	22.00	.50	2.33	23.50	14.81	.30	.24	-7.91	14.16	1.70	.20	S	12.5	11.0	10.5	12.2	.49	2.2	12-03-85	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	16.75	13.25	15.63	.00	.00	22.63	12.00	-.32	.87	3.11	13.79	.61	.10	N	17.2	22.0	18.2	23.0	.03	.2	08-06-85	29.1	5.3	7.5	.00	3.70
Bristol-Myers	BMY	63.50	60.25	62.88	-.13	-.20	68.50	53.38	-.30	.61	1.48	-4.09	3.45	.42	N	12.5	14.0	11.3	16.7	1.88	3.0	09-30-85	4189.4	472.4	2.5	.75	15.63
Carter-Wallace	CAR	57.50	50.50	57.50	7.00	13.86	57.50	28.75	.51	1.40	4.58	-32.85	2.66	.86	N	32.8	21.0	5.9	16.5	.60	1.0	11-01-85	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	29.25	27.50	29.13	1.13	4.02	32.50	17.38	-.03	-.37	-2.26	39.93	.73	.36	S	67.9	-15.0	17.4	32.7	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	13.38	12.63	13.13	.25	1.94	14.50	8.50	.05	.05	-1.36	-26.78	.00	-.12	N	-85.7	NC	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	11.50	10.50	10.75	.00	.00	12.75	7.13	.02	-1.22	-2.16	-10.14	.61	-.21	N	-33.9	47.0	14.6	26.2	.00	.0	09-09-85	151.1	22.1	3.4	2.52	1.60
Lilly Eli Co	LLY	107.63	100.50	104.75	-2.50	-2.33	113.50	71.75	-.13	.04	-.97	-2.07	6.73	.57	N	8.6	10.0	15.8	14.5	3.20	3.1	11-08-85	3109.2	490.2	1.7	1.63	31.04
Lee Pharm	LPH	10.38	9.00	10.25	1.25	13.89	10.38	4.63	1.32	1.82	3.02	17.71	.40	.27	F	207.7	NC	6.6	25.6	.00	.0	00-00-00	12.2	.8	3.1	.00	2.49
Marion Labs	MKC	54.88	44.88	54.88	8.63	18.65	54.88	23.88	.49	1.65	-1.83	-12.84	.94	.39	Q	56.5	36.0	12.2	50.8	.36	.7	12-16-85	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	138.50	134.25	135.63	.13	.09	142.25	95.00	.12	-.64	-.05	.31	6.71	.71	N	10.9	6.0	13.8	18.7	3.60	2.7	12-03-85	3559.7	493.0	2.0	2.48	35.29
Morton Thiokol	MTI	38.25	35.38	36.88	.13	.34	40.50	27.63	-.24	-.22	.26	20.57	2.50	.37	S	16.0	22.0	6.7	13.8	.70	1.9	11-18-85	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	17.25	16.25	17.13	.75	4.58	26.00	13.50	-.27	1.23	-1.35	-11.07	.52	.38	S	115.2	64.0	23.3	24.1	.05	.3	02-19-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	14.13	12.00	12.00	-1.00	-7.69	14.50	5.38	-.09	-2.19	-3.87	15.04	.05	.00	S	NE	NC	6.7	NE	.80	6.7	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	18.00	15.75	15.75	-2.00	-11.27	23.25	11.19	-.16	-.78	.13	-.43	.42	-.05	F	-10.6	80.0	12.7	37.5	.00	.0	00-00-00	21.3	2.7	3.3	.00	1.84
Pfizer Inc	PFE	50.13	46.25	47.50	-1.50	-3.06	56.25	37.63	-.36	-.47	.71	-20.39	3.44	.36	F	11.7	16.0	14.4	13.8	1.48	3.1	07-26-85	4024.5	579.7	2.3	2.10	15.45
Reid Prov Labs	REID	6.13	5.75	6.00	.25	4.35	6.63	4.00	.24	.26	-.70	-5.51	.13	.02	Q	16.7	26.0	6.0	42.9	.04	.7	12-10-84	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	15.63	11.63	14.88	3.13	26.60	23.50	5.50	.87	4.03	4.28	23.63	-18.44	-18.79	N	-100.0	NC	-73.0	NE	.00	.0	11-19-84	631.9	-461.6	1.7	.47	-5.23
Rorer Group	ROR	38.63	36.00	36.38	-.25	-.68	47.00	26.00	.08	-.42	-1.56	-11.21	2.08	-.04	N	-1.9	4.0	8.5	17.8	1.12	3.1	11-04-85	522.1	44.3	1.9	2.18	11.07
Scherer RP Co	SCHC	15.75	13.75	15.75	2.00	14.55	15.75	9.50	.07	.84	3.04	61.69	-.43	-.96	S	-100.0	NC	-2.0	NE	.32	2.0	12-09-85	167.4	-3.4	1.7	4.07	9.72
Squibb Corp	SQB	85.00	76.25	80.50	-.75	-.92	85.00	49.75	.04	-.22	4.65	3.40	3.68	.46	N	12.9	21.0	10.5	20.0	1.76	2.2	11-08-85	1886.0	197.2	2.3	3.74	24.87
Sterling Drug	STY	39.00	36.63	38.75	1.63	4.38	41.38	26.75	.09	.03	.99	2.22	2.37	.13	N	5.6	4.0	7.8	15.8	1.20	3.1	11-07-85	1827.3	143.4	2.6	1.32	15.34
Syntex Corp	SYN	44.25	40.50	42.13	-.63	-1.46	46.75	26.06	-.14	-1.11	-.95	6.45	2.33	.55	Q	27.5	15.0	15.8	16.5	1.20	2.8	12-16-85	948.5	150.0	2.1	2.68	9.40
Thompson Med	TM	14.88	14.13	14.50	.25	1.75	18.38	11.75	.17	-.21	-1.88	29.93	2.20	-1.04	N	-46.0	15.0	10.8	11.9	.40	2.8	12-23-85	197.2	21.2	4.3	.00	7.09
Upjohn Co	UPJ	132.50	125.00	129.75	3.75	2.98	141.50	70.50	-.11	.57	-1.03	-14.91	5.67	.39	N	6.9	1.0	8.0	21.4	2.80	2.2	01-03-86	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	47.75	45.50	46.38	-1.63	-3.39	49.38	33.75	-.04	-.48	-4.33	12.21	2.81	.27	N	9.7	7.0	7.1	15.3	1.56	3.4	11-04-85	3166.7	223.9	1.7	6.47	18.18
Zenith Labs	ZENI	22.00	19.25	21.50	2.50	13.16	29.50	7.84	-.81	1.45	.29	27.72	.28	.97	N	510.5	89.0	7.7	18.5	.00	.0	06-19-85	37.5	2.9	2.6	.27	1.99

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

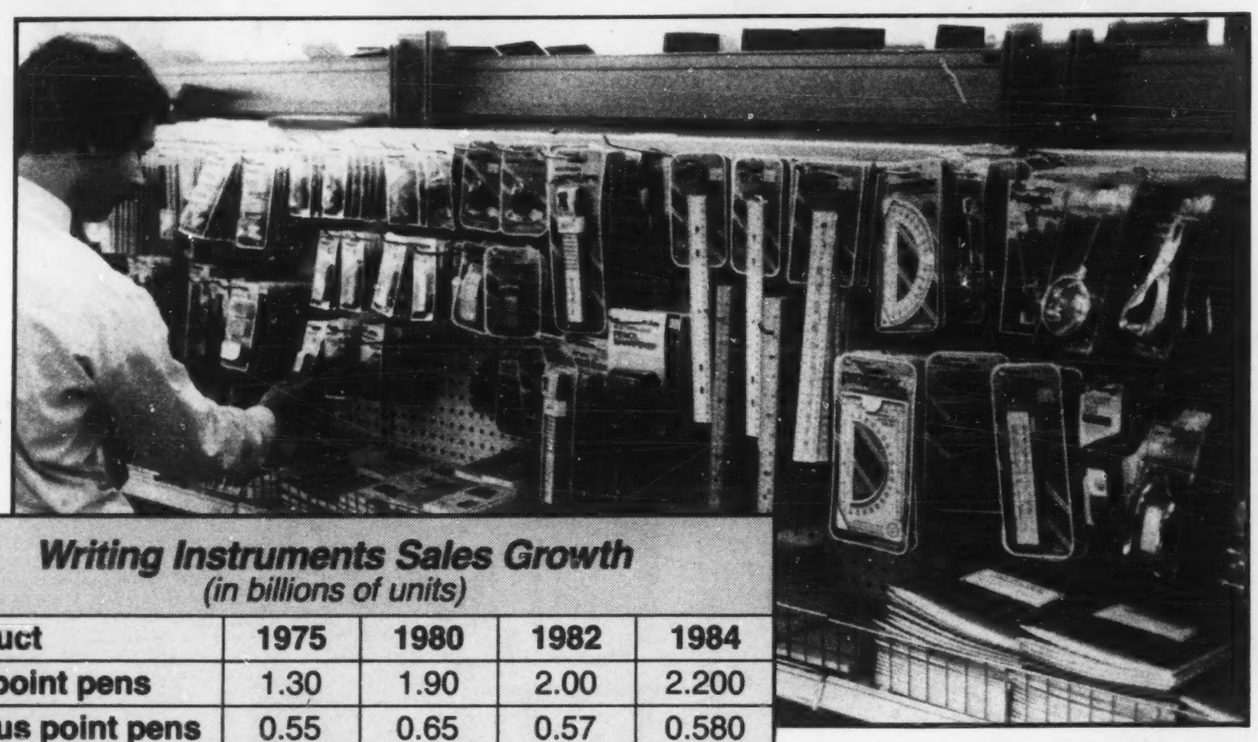
Footnotes: NA - Not Applicable; NC - Not Calculable; NE - Negative Earnings; NM - No Meaningful Figure; Q - First Quarter; S - First 6 Months; N - First 9 Months; F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISER

Upgraded lines to spark home office and BTS

Buyers give A+ to better designs and fresh colors



Drug store retailers are anticipating another strong year for the back-to-school and home office categories, fueled by quality and design improvements to notebooks and portfolios, and customers' willingness to pay more for such upgrades.

Purples and pastels and new merchandise features will be emphasized in 1986 to attract more students, parents and home office workers. Improvements include low-drag notebook paper with laser perforations and antiglare characteristics, better theme book bindings and high-tech designs, with colors, buyers told *Drug Store News*.

While the chains awaited the February Back-To-School Show in New York before deciding on merchandising the categories, most agreed that upgraded lines by Stuart Hall and Mead's fashion color notebooks will play leading roles.

"I think people are much more willing to step up and pay a little bit extra when they think they are getting a better product," Arbor Drugs buyer Dennis Wozniak said.

Wozniak expects to add space for Stuart Hall's Executive line, which performed well there in 1985, and will be improved with micro perforations in notebooks and legal pads. Arbor will also be closely watching Hall's Super Products line, which also sold well, aimed at the advanced student in junior high school and above. Hall is upgrading the line with two new products, a Pocket Locker portfolio featuring heavy cardboard pockets in multicolors and a note book with micro perforations. Both products feature pockets with velcro locks, and Tech Lock™ bindings.

Without increasing list prices, Hall upgraded the 16-sku Super Product line this year in response to company research which showed that the Executive line—advertised to attract the commercial office market—was favored by students and other nonprofessionals.

According to a Hall official, the company discovered last year that 40% of Executive line retail sales were from students, and 30% more from home office workers.

While Hall views the new Pocket Locker products as upgraded theme books, it is positioning them as trim alternatives to Mead's Trapper Keeper ring notebook, which buyers said continued to be popular in 1985. The Hall products will retail at less than half that of the Trapper Keeper, at $2.99.

Hall will be supporting both lines with a $1 million advertising budget, including co-op radio and print allowance in key markets, a company source said.

Arbor has also had good success with Mead's nonglare Glare Care legal paper packaged in student notebooks, Wozniak said.

Buyers say licensed creations seem to be falling into eclipse again this year, as the lines attempt to appeal to older students with colors and high tech designs. Mead's upgraded line of theme books and notebooks has been popular in new purple, lavender,

Continued on page 45

Writing Instruments Sales Growth
(in billions of units)

Product	1975	1980	1982	1984
Ball point pens	1.30	1.90	2.00	2.200
Porous point pens	0.55	0.65	0.57	0.580
Markers	0.20	0.20	0.20	0.300
Mechanical pencils	0.06	0.07	0.08	0.148
TOTAL	2.15	2.90	3.00	3.400

Source: Writing Instruments Manufacturers Association

Drug store retailers expect sales of multipacks and mechanical pencils to lead revenue growth in writing instruments this year.

Best sellers are 10-packs at $1.98, and $1 on promotion. Manufacturers are raising counts in multipacks this season, but at the same price as last year, adding impetus to sales. Mechanical pencils are increasingly popular, bearing out industry statistics which show that clutch action mechanical pencils rose 82.7% in unit sales from 1983 to 1984.

Overall, pen and pencils sales are becoming more of a year-round category with manufacturers' promotions fueling the interest, buyers said.

Show might be over for cartoons about toys

WASHINGTON — A race by licensed toy manufacturers to fill the airwaves with the animated adventures of their products may be curtailed if legislation proposed by a Senator and a Congressman is passed.

The two bills, if passed, could result in an FCC investigation that might ultimately remove from the air full-length television programs that were created to portray animated versions of marketed products, such as Mattel's Masters of the Universe and other licensed toys.

One bill also asks that the FCC look into an arrangement whereby broadcasters share in the profits generated by the sale of the toys shown on these programs. The bill cites a concern that the "financial incentives may override other considerations" in planning children's programming.

This bill, called the Children's Television Education Act of 1985, was introduced by Rep. Timothy Wirth (D-Colo.). The other bill was introduced by Sen. Frank Lautenberg (D-N.J.).

Proliferating in the past two years, these shows (called "program-length commercials" by some critics) have become a sales vehicle unlike standard commercials, whose length is regulated, or other shows in which promotional material may be more disguised. (As the director of one consumer group put it: "We don't name adult programs the *Marriott Hotel*, we just call it *Hotel*.")

According to some reports, more than 40 such shows are on the air or being prepared for airing. As recently as two years ago, there were 13 such shows.

The FCC may look into an arrangement whereby broadcasters share in the profits generated by the sale of toys used as central characters in programs.

The concern is that children, the prime target of these shows, are unable to distinguish the sales message from the content of the show.

"Program-length commercials are bad because they confuse editorial and commercial speech, they are designed to sell rather than to say something and they keep all the other kinds of programming, particularly drama and nonfiction, off the air," said Peggy Charren, director of a national organization called Action for Children's Television (ACT).

Those who oppose the legislation said they can't see the difference between shows whose characters were used to design toys and shows designed to sell toys already on the market.

"Is there a difference be-

Continued on page 48

Buyers differ on the effect bills would cause

Buyer reaction was mixed to proposed legislation that could curtail television shows on which licensed toys are featured.

Some were adamant that such a move would affect their buying (and the sales) of licensed toys, while others said wait and see.

"It can't do anything but hurt it [sales]," said Ray Martin, toy buyer for Cullum Companies in Dallas, parent of Page Drug. "The television shows assist the children in creating the demand for the products." If these shows were to be removed from the air "the demand won't be there."

"If they took the shows off the air, I don't even know if they [manufacturers] would come out with the products."

—Richard Glassman, Merchandise manager, Affiliated Drug Stores

Just the same, Martin said Cullum would not cut down on the percentage of licensed toys it buys, but rather would shift from the "trendy" licenses (such as Masters of the Universe) to the more established licenses (such as Mickey Mouse, Snoopy and Peanuts).

Still, Cullum's buying of licensed toys seems to have been more affected by the oversell of program proliferation than it may be by the removal of programs.

Cullum has reduced the per cent of licensed toys it carries over the past two years—the same period in which the disputed television programs have risen from 13 to 40. Cullum's toy department has shifted to 30% licensed toys, down from about 50% two years ago.

"With so many different lines, the buying public was confused," Martin said. "They [manufacturers] were trying to create licenses before there was popularity, to create toys before there were shows. It

Continued on page 22

MERCHANDISER

Upgraded products to spark BTS

Continued from page 21

pastel and off-blue shades. Hall's Smart Stuff line for girls, which moved well in 1985, features colors and fabrics for portfolio and theme book covers matching this year's children's clothes for color coordination.

"Fashion colors are going to be important," said Hook Drug buyer Mark Tow, noting that price points for an upgraded high gloss finish in Mead portfolios have increased to 49¢ from 29¢.

"They're getting away from the licensed products to modern art-type portfolios—it seems to me the licenses are dying rapidly," said Tow.

In common with many chains, Hook has found that the back-to-school category is becoming a profitable year-round department, with off-season periods often the best time to generate profits, when products sell at higher prices. Loss-leader items during seasonal promotions take a toll on category earnings at many chains. Hook, for example, sold 200-count filler paper 40% below cost last year.

But Hook recovers from the promotions by offering a full selection of sku's through the nine-month school period.

"It's one of our higher profit makers," said Tow, who has merchandised the home office products and back-to-school in the same planogram.

"We are definitely exhibiting a very strong growth pattern through the year," agreed Wozniak.

Manufacturers are taking the lead in trying to develop nonseasonal demand, but other factors seem to be contributing. These include students with more disposable income, more home office workers and curiosity about new products.

For the first time, Mead is pushing its nonglare paper in the second semester this year, with television ads, and Hoyle has taken to television to promote a new 228-page pocket organizer that Hook is carrying, Tow said.

Other retailers are less convinced of the year-round potential.

"The companies are trying to create a year-round need, which may or may not be there," said one buyer for a major eastern chain.

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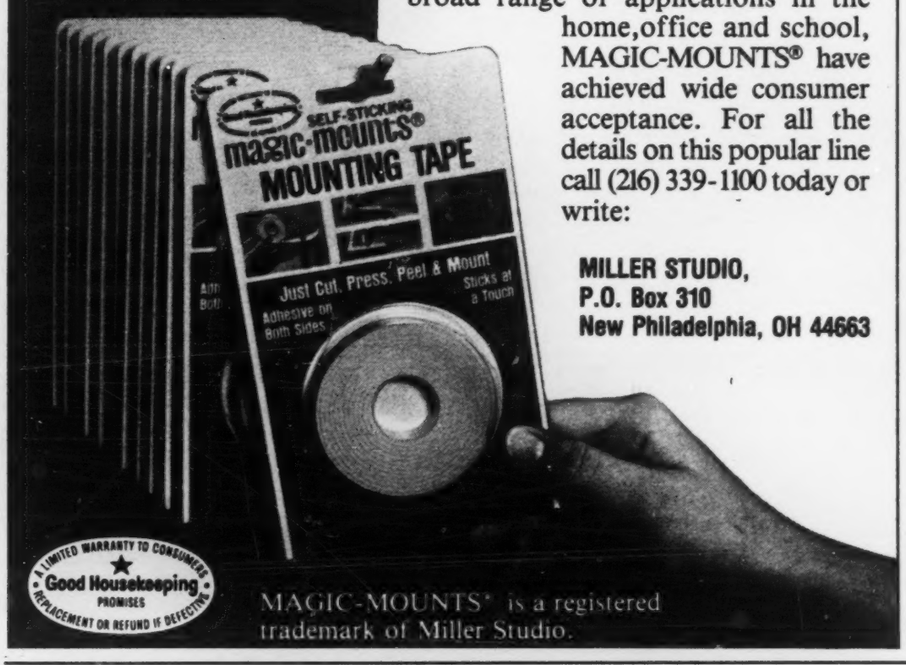

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Chains assess Polaroid's legal win

Some see rising prices for instant cameras and film

Drug store merchants plan few immediate merchandising changes as a result of Polaroid's legal victory over Kodak, which prompted Kodak's exit from the $1 billion instant photography business last month and once again left Polaroid a virtual monopoly.

Some chains estimated Kodak's share of instant business in their stores at about 30%, but felt Polaroid would be able to fill a temporary supply void in time for the heavy picture-taking spring season.

Executives from Kerr, Drug King, Genovese, Fay's and Gray told *Drug Store News* that long-term leaner inventories might be appropriate, given the category's flatness. They cited a market shift toward simple 35mm cameras and the use of overnight developing services as reasons.

Fay's president Dan Herrmann saw the instant photo market as "flatter and declining."

"The big question is what Polaroid will do to promote the market."

—Bob Breslin, Buyer, Genovese

Genovese buyer Bob Breslin said he won't buy extra Polaroid to make up for Kodak's exit. "We wouldn't sell anymore of it. Polaroid was helped by Kodak being in the business. They gave the category more recognition.

"The big question is what Polaroid will do to promote the market," Breslin added.

One of Polaroid's first steps was to offer two free film packs to consumers who buy the Sun 600 LMS or Sun 660 cameras by April 18. In addition, customers who buy new Polaroid instant cameras and trade in a model of any brand will receive a $10 discount on future film purchases.

That promotion comes at a time when Kodak has tried to satisfy the owners of 16 million Kodak instant cameras, suddenly rendered obsolete, by offering to replace them with a disc camera and film, a $50 coupon book for Kodak products, or one share of Kodak common stock.

Besides promotional concerns, some retailers felt Polaroid might use this opportunity to raise prices on instant cameras and film. Gray Drug Fair merchandise manager-sundry Allan Cohen noted as an example a $5 cost increase, from $18.75 to $23.75, on a low-end Polaroid One Step that became effective in mid-January.

"The rise was announced just before the decision, but they sensed what the decision would be. They had nothing to lose. They could always roll it back if they lost," Cohen said.

Kerr Drug vp-marketing William Baxley also wasn't sure how Polaroid would react to the open field. "We're hopeful Polaroid will be reasonable," he said. He considered Polaroid a good marketer and devoted his promotional attention to that brand. As a result, he said, Polaroid volume at his 60-store chain was up in 1985, while Kodak sales were "very slow."

That emphasis on promotion contributes to widespread low overall margins on instant cameras and film, about 15%, according to buyers, who consider it a traffic item.

Drug King vp-marketing Robert Barry summed up why he's not enthusiastic about instant photo: "We can't make money on the cameras because the Targets, Gemcos and Fedcos sell them below cost. We sold at $29.99 on a $30 cost; they'd sell it at $24.99. Our customers got

Continued on page 48

What cameras people plan to buy

	% of households
35mm all types	39.8%
Video cameras	26.0
Disc	11.3
Instant	9.3
110	2.6
Movie camera	1.8
126	0.8
Other	8.4

Source: Photo Marketing Association International

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Where consumers bought their newest instant print camera

Type of store	% of households 1985	1983
Discount store	48.2	34.5
Drug store	12.9	9.6
Department store	9.4	20.5
Catalog showroom	5.9	6.7
Used	4.7	2.5
Mail order	3.5	4.6
Camera store	2.4	9.0
Supermarket	2.4	0.5
Other	10.7	12.1

Source: Photo Marketing Association International
These figures don't include consumers who received instant print cameras as gifts.

Chains assess Polaroid's victory

Continued from page 47

mad at us. We don't need that.

"We're happy to take the film business, as long as retails stay at about $10. There's a limit to what people will pay," Barry said.

Drug King sells instant cameras only in its four stores in resort towns, but carries film chainwide. Barry limits his exposure partly because of discounter competition, and partly because "Polaroid and Kodak made everything obsolete so fast. They'd jam you with merchandise and bring out something new a few months later," he said.

Regardless, consumer activity has shifted more toward automatic 35mm cameras in the $100-$120 retail range, and away from camera formats that produce lesser quality prints, buyers said.

That's apparently Kodak's target, with its new K12 and K10 VR35 cameras, marking Kodak's return to 35mm cameras after a 16-year absence.

Gray's Cohen called them "me-too products." Another source said "they've taken the best features available, priced them in the going range, and said, 'we're Kodak, buy us'."

Cohen said he'd be more receptive if Kodak broke today's market prices by $20. Yet Fay's Herrmann still saw some value to the Kodak 35mm entries: "Only a handful of drug chains have knowledgeable help to talk 35mm with shoppers. We all want a camera advertised to the masses, one that's presold. Kodak appears to have the wherewithal."

Kodak director of marketing planning Frank Carbee felt consumers would link the Kodak name with "an ease-of-use feeling" that would distinguish it from other 35mm brands. He also said Kodak reps would train clerks at store level, making several rounds in 1986.

Instant print camera ownership declines (% of households)

	1985	1983	1981
Owning Households	36.3	46.3	47.6

Source: Photo Marketing Association International

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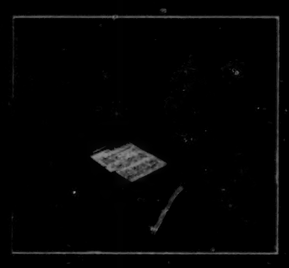

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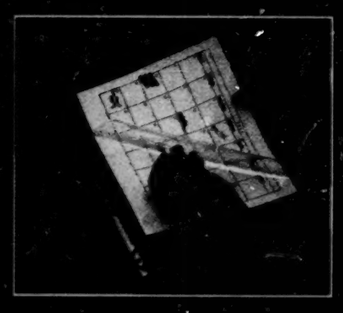

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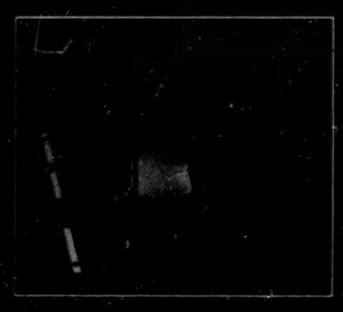

See K&M's complete game plan at the National Back-To-School Show — New York Booths 1202 to 1306 A

BACK TO SCHOOL

km

New bills

Continued from page 21

tween a product that comes from a program and a program that comes from a product?" asked Doug Thompson, president of the Toy Manufacturers of America.

John Summers, executive vp of the National Association of Broadcasters, said his organization is opposed to any government involvement in programming.

"Let the marketplace work its view. If you get too commercial, the thing corrects itself."

Both bills ask the Federal Communications Commission to conduct inquiries into these shows.

Licensing Show slated for June

NEW YORK — Licensing '86, the International Licensing and Merchandising Conference and Exposition, will be held on June 10-12 at the Jacob K. Javits Convention Center here.

Because of high demand for booths, exhibit space is restricted to members of the Licensing Industry Merchandisers' Association. To join, contact Ginny Rae, 203-259-5734.

INSIDE PHARMACY

Pharmacist Irwin Gittleman, owner of Duplex Drug Store in New York City, has been grinding Loniten tablets into an antibaldness treatment for years.

Despite the FDA's warnings, sales of minoxidil are booming

By Marjorie Shaffer

KALAMAZOO, Mich. — The FDA has stepped up its warning to pharmacists to stop reformulating minoxidil tablets for use as a baldness remedy in the wake of reports that fatalities have occurred in patients who once used the topical solution.

The FDA and Upjohn, minoxidil's maker, conclude that no cause and effect relationship has been established between the drug and seven of the deaths. However, the other two deaths have not yet been fully investigated, according to FDA spokesman Bruce Brown.

Officially, this oral drug is not supposed to be used for anything but the treatment of hypertension. Upjohn applied to the FDA for approval to market Regaine (its name for the antibaldness lotion) last December, and approval is expected within two years.

But the possibility that the topical concoction can do what no other has done before—put hair on the head where there once was none—is fueling some hair-raising expectations among the sparse of pate.

And despite warnings against its unapproved use, Upjohn's minoxidil is creating a booming underground market for the antibaldness elixir.

In clinical studies, Upjohn has now treated over 4,500 balding volunteers with the lotion, but many more have been treated without official sanction. That's because physicians can prescribe an approved drug for any unapproved indication once it is available.

"We are selling something that is in tremendous demand at a reasonable price, and it is not illegal," says Irwin Gittleman, pharmacist and owner of Duplex Drug Store in New York City, who has dispensed the lotion to several hundred patients and to many physicians as well for their personal use.

Continued on page 63

HMO deal alarms Cleveland Rx'ers

Small drug chains stand to lose thousands of dollars in business

By Harold Cohen

CLEVELAND — Druggists in the Greater Cleveland Area are enraged over a contract that names Revco as the preferred provider of prescription services for HealthAmerica Corporation of Ohio, a 90,000-member HMO.

According to the contract, which became effective Feb. 1, the majority of HealthAmerica's membership in the Greater Cleveland Area will have to go to a Revco store to get prescriptions filled to avoid full out-of-pocket payment for the drugs.

The members will only be required to pay a small copayment of between $1 and $3, depending on their company's agreement with the HMO. Revco will bill HealthAmerica directly for the balance. If the prescription is filled at a non-provider location, the full price must be paid with reimbursement to the customer coming directly from HealthAmerica.

The agreement came as a complete surprise to the entire Cleveland pharmaceutical community. According to Saul Eisen, executive secretary of the Greater Cleveland Academy of Pharmacy, the deal was closed before any other drug store had the opportunity to bid.

"Nobody knew about it until after the deal was signed," said Eisen. "This could well be the last death throes for many

Continued on page 63

Survey says pharmacists agree with PhIP proposal

WASHINGTON — Proposals by Federal Medicaid officials to establish a revolutionary new "Pharmacists' Incentives Program" (PhIP) revising Rx reimbursement practices drew broad support from hundreds of pharmacists responding to an American Pharmaceutical Association survey.

The PhIP plan, which would encourage (if not require) pharmacists to substitute cheaper generic drug products for brand name versions, would be fairer to pharmacists than the current Maximum Allowable Cost/Estimated Acquisition Cost (MAC/EAC) reimbursement scheme, the APhA members said.

But at the same time, pharmacists responding to the association's poll expressed continued concern about dispensing fees (which are not addressed by the PhIP plan), and warned that the proposed

Continued on page 56

Minoxidil may put hair on head, subpoena in hand

Cohen's Capsules

Harold Cohen, R.Ph.

Pharmaceutical Editor

Can somebody please explain to me why anybody would use a drug for an unapproved indication? It's a well-known fact that the practice has been going on for years.

I'm not talking about illicit drugs; I'm referring to those drugs that have been approved by the FDA for specific indications.

Probably one of the hottest issues today is the use of Upjohn's minoxidil for growing hair (see story on this page). Although Upjohn, and now the FDA, have issued "warnings" that the drug should not be reformulated for use as a hair grower, thousands of pharmacists across the country are doing just that.

The problem with minoxidil, as well as any product being prescribed by physicians for unapproved uses, is an unclear understanding of what the pharmacists' role should be. On one hand, the pharmacist is faced with filling a *legitimate* prescription, but on the other hand, it's known that it is being used for "unauthorized" purposes. What should you do? Unfortunately, the solution is not clear-cut.

You probably remember that several years ago, prescriptions for cyproheptadine (Periactin, MSD) began showing up in pharmacies at abnormally high rates. Originally developed as an antipruritic, doctors (reseachers?) discovered it increased a patient's appetite. Before long, pharmacies around the country were inundated with prescriptions from pediatricians prescribing the drug for children who wouldn't eat. Did pharmacists question the fact that adverse reactions to the drug could cause skin rashes, hives, headaches, difficult urination or a host of behavioral disturbances? Of course, some did, but most, I'm afraid, did not.

Pharmacists are again faced with the same dilemma. But this time there is an outside chance that minoxidil may have serious drawbacks as exhibited during its clinical trials. I wonder now how many pharmacists are going to heed the FDA's notification of nine deaths during the studies, or how many will say since there's no cause and effect proven, why not cash in on the hot minoxidil market?

As far as I'm concerned, all the cash register sales in the world cannot make up for the possibility of inflicting harm on what amounts to an unsuspecting customer who is interested in nothing else but having a full head of hair, unaware of any potential side effects. And who needs that kind of liability problem? On the other hand, retailers are still out to put bread on their families' tables.

At the very *least*, our obligation to our customers is a warning that there *may* be a problem with the drug. If the customer still insists on using the prescription, I strongly urge a release be signed that you notified the patient of its unapproved usage.

While minoxidil may put hair on your customers' heads, it could very well put a lawsuit in your mailbox.

Survey instrument prescriptions and differences between HCFA's generic floor and pharmacies' mean lowest actual net cost (ANC)[a]

Presc. Number	Prescription	Difference between HCFA's generic floor and pharmacies' mean lowest ANC	Difference as a % of pharmacies' mean lowest ANC
Rx 1	Allopurinol, 100mg (Zxloprim) #60	$1.08	30.3%
Rx 2	Aspirin, butalbital and caffeine (Fiorinal) #50	0.43	24.6
Rx 3	Chlordiazepoxide, 10mg (Librium) #60	1.21	108.0
Rx 4	Hydrochlorothiazide and spironolactone, (Aldactazide) #30	1.24	91.0
Rx 5	Hydroxyzine, 25mg (Atarax) #90	3.49	59.2
Rx 6	Meclizine, 25mg (Antivert) #60	0.79	58.1
Rx 7	Metronidazole, 250mg (Flagyl) #30	6.54	139.4
Rx 8	Primidone, 250mg (Mysoline) #60	0.34	10.2
Rx 9	Quinidine sulfate, 300mg #60	0.71	12.7
Rx 10	Triamcinalone cream, 0.1% (Kenalog) 15gm	0.62	48.4
Mean Difference		$1.65	58.2%
Weighted Mean Difference[b]		$1.19	32.1%

a—Differences were calculated by: [HCFA's generic floor]—[pharmacies' mean lowest ANC].
b—The weighted mean difference is a weighted average based on the 10 prescriptions priced at each pharmacy. Weights are based on each drug's share of the total prescription drug market. *Source: APhA research*

Rx'ers like PhIP plan

Continued from page 55

reimbursement changes would be more equitable "only if state Medicaid agencies administered the program as proposed," APhA said.

Results of the association's survey—the first nationwide sampling of pharmacist response to the innovative generic incentive plan—were released on the eve of a scheduled meeting between officials from the Health Care Financing Administration (HCFA) and drug store industry groups to discuss alternative reimbursement approaches for the Medicaid drug program.

Under PhIP, the existing MAC/EAC cost control system would be scrapped, and pharmacies would be encouraged to substitute their least-costly generic equivalent for 59 multisource drugs with at least three FDA-determined therapeutically equivalent generic substitutes. For those 59 drugs, HCFA calculated 120 "generic floors" at 150% of the average wholesale price (AWP) of the cheapest generic equivalent.

In general, the 200 pharmacists (four in each of the 50 states surveyed by APhA) felt the strength of the proposed PhIP was its potential to provide more return on product cost than MAC/EAC. They also gave good marks to PhIP for putting the cost containment emphasis on drug manufacturers rather than on pharmacists.

Among the negative reactions found by the survey was the respondents' perception that the plan addresses only product cost and not dispensing fees.

Additionally, "the program fails to include a mechanism for timely updates of the generic floors, to take account of manufacturers' price increases," some of the pharmacists responded.

According to APhA, the survey responses clearly indicated that pharmacists would not favor PhIP unless it was tied to an "adequate dispensing fee" including a definition by the HCFA of the term "reasonable" in relation to dispensing fees.

APhA also sought to assess the financial impact of PhIP via the survey by questioning pharmacists about costs, prices and reimbursement rates on 10 of the 59 multisource drugs identified by the HCFA. The 200 pharmacies were asked to provide actual net cost of the drug, average wholesale price, present Medicaid reimbursement rate and the product dispensed.

The data collected by APhA indicates that the pharmacies cannot purchase generics at rates which are as low as the least costly generic alternatives, but would be able to purchase one or more generics at rates below the HCFA-set "generic floors."

Stressing the surveyed pharmacists' belief that the plan failed to "adequately address all aspects of Medicaid reimbursement for covered items," APhA concluded that "future third party reimbursement methods devised by the HCFA should focus on total prescription price for all covered medications and not the rate of reimbursement for individual components which comprise the total prescription price of a few select drugs."

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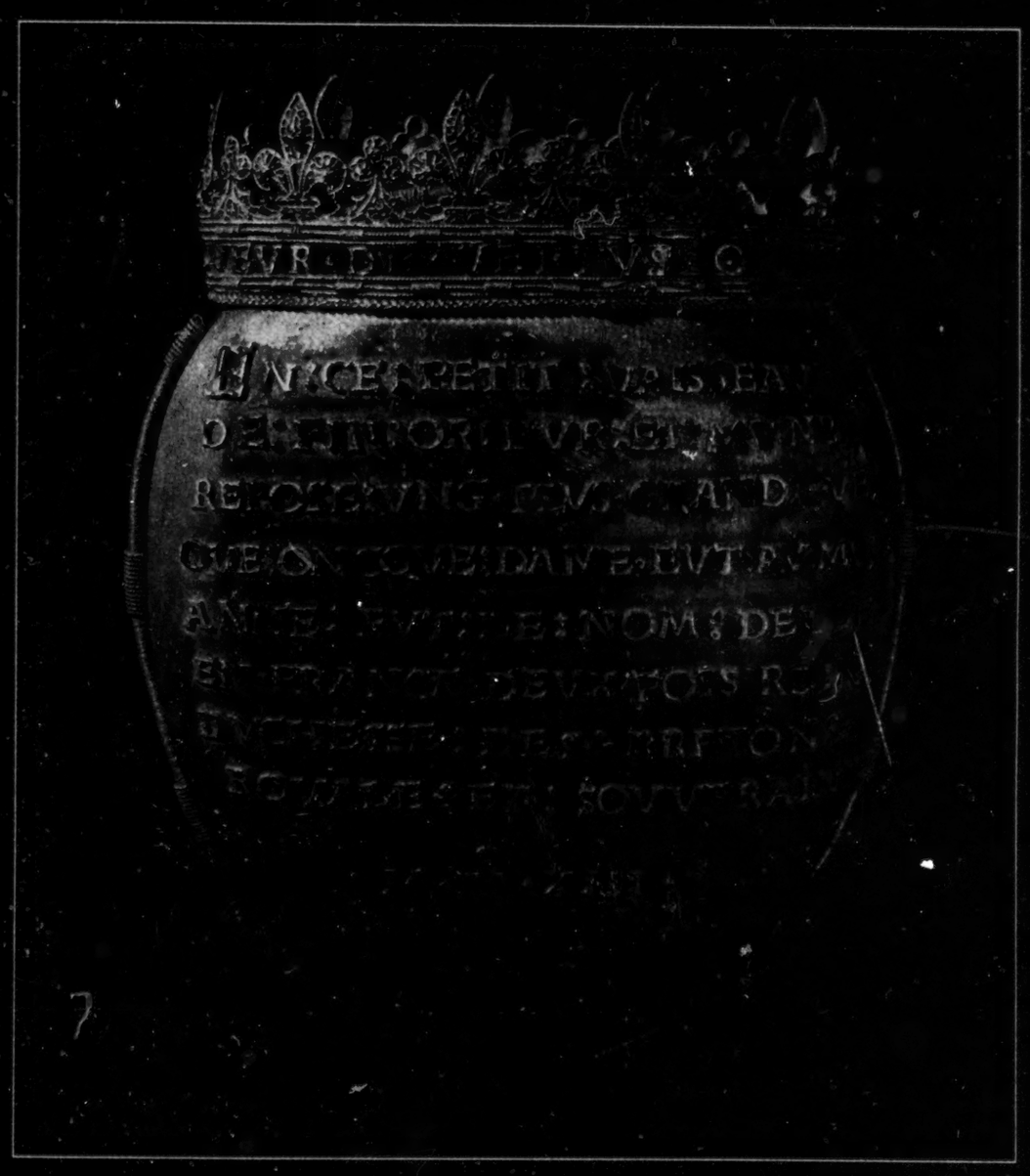
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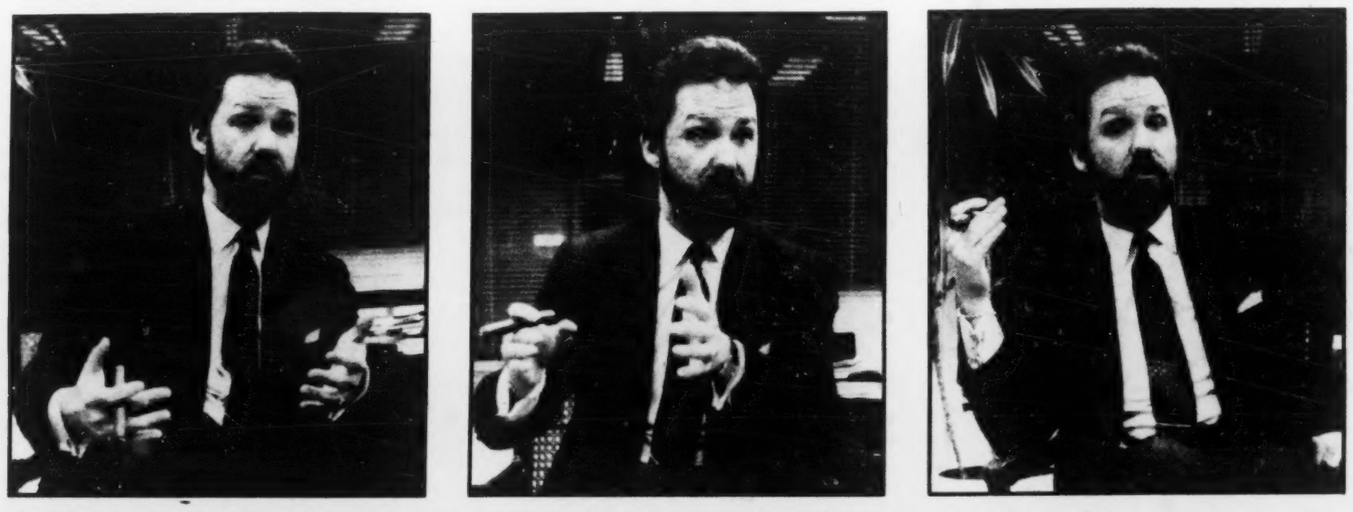
Cat boom escalates feline food sales—p. 36

Inside Pharmacy
FTC study finds generic substitution rising—p. 45

DRUG STORE NEWS

Vol. 8/No. 5 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. March 3, 1986



"We want to be the hometown chain . . . be downtown in a big way . . . to service everyone who lives and works here."

Stephen Hansbrough,
chairman,
Dart Drug Stores

Dart draws '86 battle plan

LANDOVER, Md. — Dart Drug is moving into phase two of its growth plans as a private retailer, using a new downsized 5,000-sq.-ft. prototype to help spearhead advances in the Greater Washington market.

The smaller store is one part of Dart's multipronged efforts to achieve dominance here; it'll enable the chain to tap smaller sites in downtown business centers and densely populated inner city neighborhoods, where traffic is high.

Dart also plans to:

- Expand conventional stores to help cover about three dozen nearby targeted suburban areas throughout the late 80's;
- Start a three-month test of scanning in at least two stores by mid-'86, with an eye toward chainwide implementation by mid-'88;
- Reassert its strength as a seasonal retailer and a discounter, while building up its everyday H&BA, prescription and housewares departments;
- Upgrade automotive and extend hard cover book busi-

*See **Dart**, page 54*

Merger to create $500M war chest for FoxMeyer

By Al Heller

DENVER — FoxMeyer will re-enter the acquisition arena armed with as much as $500 million fresh cash—and possibly more—from National Intergroup (NI), following a planned nine-month respite to absorb recent drug wholesaling takeovers.

The wholesaler that tore up the track the past three years building Midwest market share through buyouts will be a more formidable prowler when it emerges from its moratorium. This plan doesn't affect its buyout of Beaumont, Tex.-based Jefferson Drug, which was due to be concluded in February.

NI's $350 million takeover of FoxMeyer appeared imminent at presstime, as NI set plans to restructure itself in 1986 and prepare to use FoxMeyer as its primary growth vehicle.

NI will funnel its abundance of cash to FoxMeyer, Peter Love, NI chairman, and William Tauscher, FoxMeyer chairman, told a closed session of security analysts in New York at presstime.

NI currently has cash and other equivalents of $280 million, divestitures under way worth another $125 million and is counting on a $100 million annual cash flow from Permian, its oil distribution subsidiary. On top of that, Love indicated a willingness to divest more than $500 million worth of steel and aluminum business.

"It's more money than we can spend," Tauscher told *Drug Store News* at the meeting.

The buyout will obviously keep FoxMeyer's acquisition-based growth plans on a fast track, but that still didn't prevent many analysts and wholesalers from being surprised by the deal.

No one ever expected Tauscher, 36, to be the prey. Some consider that the hunter got snared—with honey.

"We sought NI as much as they sought us," Tauscher

*See **FoxMeyer**, page 54*

Foodtown adds pharmacy for margin enhancement

ELIZABETH, N.J. — Lured by an attractive bottom line, Foodtown has joined the growing number of food retailers making a commitment to pharmacy.

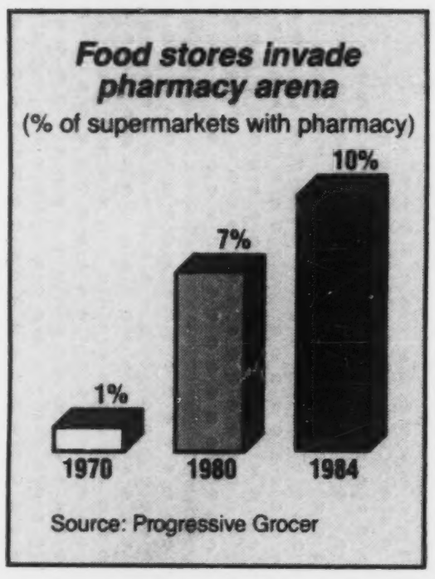
New Jersey-based Mayfair Supermarkets Inc., owner of 32 Foodtowns, installed a prototype 400-sq.-ft. pharmacy in a 40,000-sq.-ft. store in South Plainfield, N.J., early last month. Although the department accounts for only 1% of the store's selling space, the chain expects it to generate up to 4% of its sales volume.

Three to four new Foodtowns will open this year and all will have pharmacies. In addition, the department will be added to all newly remodeled stores.

To assure a smooth transition into the combo format, Mayfair lured seven-year Rite Aid veteran Ken Hammond to direct its pharmacy operations. Hammond formerly supervised Rite Aid's operations in New Jersey.

Last year, Mayfair racked up $360 million in sales, with

*See **Foodtown**, page 52*



Nation's drug retailers act fast to remove Tylenol from shelves

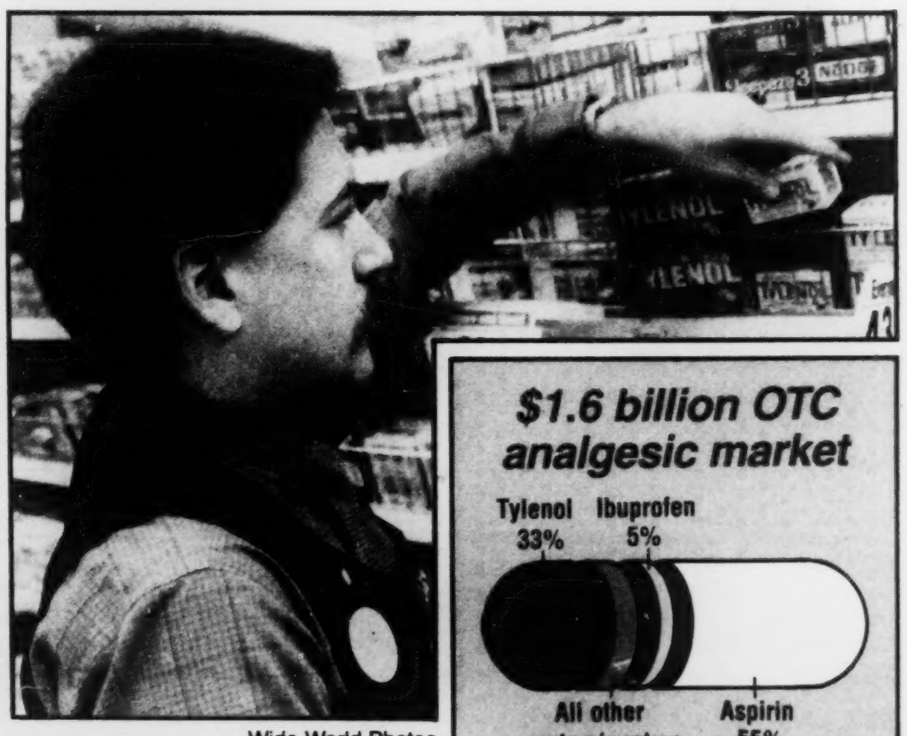
By Marjorie Shaffer

NEW BRUNSWICK, N.J. — The nation's drug retailers responded immediately to the report that a 23-year-old Peekskill, N.Y., woman died after taking a cyanide-laced Extra Strength Tylenol capsule by removing the popular analgesic from the shelves.

In some instances, all Tylenol packages were removed within 45 minutes after a voluntary recall was enacted by the drug chains.

Five days later, the FDA discovered a second bottle of tainted capsules from a different lot number in a Westchester County, N.Y., store near where the first lethal bottle was purchased.

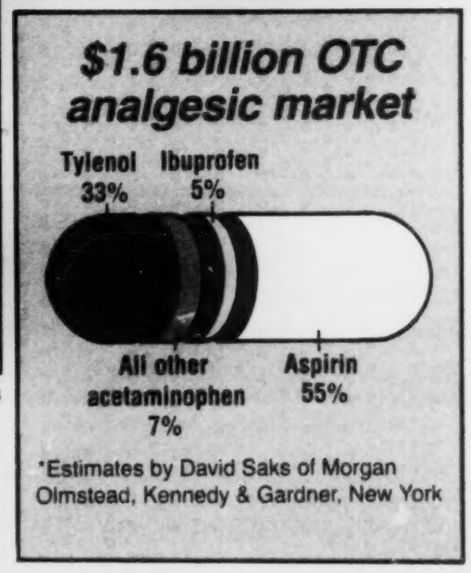
Earlier in the week, police investigators had called the cyanide-laced capsules an "isolated incident," but with the discovery of more poisoned Tylenol, Johnson &



Wide World Photos

Johnson, whose McNeil subsidiary manufactures the painkiller, issued a nationwide

*See **Tylenol**, page 52*


$1.6 billion OTC analgesic market
Tylenol 33%
Ibuprofen 5%
All other acetaminophen 7%
Aspirin 55%
*Estimates by David Saks of Morgan Olmstead, Kennedy & Gardner, New York

Optimal biz strategy stresses retail automation See page 38

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Justice Dept. closes in on 40 drug diverters

ATLANTA — The Justice Department will file charges against 40 more drug industry individuals and corporations in its continuing investigation into illegal diversion schemes, according to a Federal task force lawyer.

The new charges will be announced "within weeks" and will name persons through all levels of the distribution industry, including wholesalers and hospital employees, doctors and pharmacists, said Gale McKenzie, assistant U.S. Attorney in Atlanta, who is leading the probe by the FBI and the Atlanta U.S. Attorney's office.

McKenzie said the new charges allege diversion, adulteration, and misbranding of drugs against parties throughout the country. But she declined to say if the latest arrests will close out what has already been the nation's most extensive drug diversion probe.

McKenzie also declined to say whether new arrests will be made at Bindley Western Industries Inc. The Indianapolis wholesaler has had four former employees charged and sentenced, and is working with Federal authorities in a continuing Federal grand jury diversion investigation in Indianapolis, according to Bindley Western's board chairman William Bindley.

Closing the book on the last of Bindley Western executives who have pleaded guilty to illegal diversion activities, a federal judge Feb. 6 sentenced former executive vp Jack E. Laughner to five years in an Indianapolis medical treatment center. McKenzie said Laughner "has a medical problem," and requires a doctor's care.

The new charges will make 94 persons and corporations that have been accused or convicted since federal agents broke open a nest of diversion scheme activities with the initial arrest of 43 parties in August. Officials said at that time that at least 40 more parties were under investigation.

Bindley Western has withstood the shock that resulted from the diversion controversy, although the company bore the brunt of media attention, since it is one of the largest firms under investigation, and many top officers were involved, chairman Bindley told *Drug Store News* recently.

Bindley said he isn't free to comment on the impact the scandal has had on the company or to elaborate on the measures the company has since taken in investigating the scope of diversion activities, and in restructuring management and operations, until the government finishes its work.

"We are cooperating with the government in connection with their probe of Bindley Western, and in other areas," Bindley said.

But Bindley said the company has become less preoccupied with the investigations. It s restructuring of management, which includes filling vacant positions, and a somewhat modified structure, is nearly complete. Also nearing conclusion is a study by a management consulting group affiliated with one of the Big 8 accounting firms which has focused on operations. Bindley's own internal probe into diversion activities initiated last year, meanwhile, is "pretty well wrapped up," Bindley says.

While declining to discuss results of the in-house probe, Bindley said he expects no further arrests of employees, and feels the company's problems are largely over.

NEWS IN BRIEF

American ends deep discount test

SALT LAKE CITY — American Stores closed the books on its experiment in deep discounting with the shuttering of its second FAD (Food and Drug at Discount) store earlier this month. The 20,000-sq.-ft. store was the former site of Skaggs Home Center.

Trump to retain Northwestern Drug

SEATTLE — The Trump Group has removed the "for sale" sign from its Northwestern Drug wholesaling division.

Drug Store News has learned that FoxMeyer came close to acquiring Northwestern last December. "They had reached the point where they were comparing the compatibility of their computer systems," said an inside source, "but they had not yet drafted" any purchase agreements.

Walgreen elects 3 board directors

CHICAGO — Three new directors have been elected to the Walgreens Board of Directors. With the retirement of two ex-board members, Walter E. Cohen and William C. Musham, the three new appointees now bring the Walgreens Board to a total of 10 members.

The new appointees are: Theodore Dimitriou, 59, chairman, president and ceo of Wallace Computer Services, a computer supplies company based in Hillside, Ill.; James J. Howard, 50, president and coo of Ameritech, the Chicago-based parent of Midwest Bell; and John J. Louis Jr., 60, chairman of Butler International's executive committee. From 1981 through 1983, Louis was also the United States Ambassador to the United Kingdom.

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Vol. 8, No. 5 March 3, 1986

Compact Video attempts to buy Adams Drug from Pantry Pride

PAWTUCKET, R.I. — Compact Video is negotiating to buy Adams Drug from Pantry Pride, in an attempt by MacAndrews & Forbes to reshuffle its assets. MacAndrews & Forbes holds controlling interests in both companies.

The drug chain's management and growth plans will remain intact, whether or not a deal takes place, said Adams Drug president and ceo William Sudhaus. He outlined those plans in a recent exclusive interview with *Drug Store News*. (See Feb. 3, 1986 issue, p. 1.)

No figures for Adams' possible sale had been fixed at presstime, but Pantry Pride paid $100 million for the 417-store chain 16 months ago.

A sale would thrust Adams into the spotlight at Compact Video, which would use the drug chain as its primary growth vehicle, according to sources close to both companies. Adams was a minor factor at Pantry Pride, but would be the essential element in transforming Compact Video from a $41 million company into a $400 million-plus annual enterprise. Compact is concurrently seeking to buy Vid-America, another MacAndrews-controlled company, for less than $5 million.

There are no apparent synergies between a drug retailer and a video services firm, but MacAndrews' successful track record has been built on diverse businesses—licorice, chocolate and cigars, and now video and retailing.

Financier Ronald Perelman, who controls MacAndrews, "builds companies. He and his top team are among the smartest people I've come across," said Daniel Offen, vice president-research at Herzfeld & Stern.

He believes Perelman is "intent on building another large entity. Compact will be it, and Adams will be its focal point." He added that Adams' more visible tie-in with Wall Street personality Perelman might ease the drug chain's access to outside financing to help implement such programs as possible acquisitions, improved site selections and computer systems development.

Offen added that Perelman's historic strategy has been to strengthen management ranks at companies on which it focuses, and that could happen at Adams.

Sources close to Pantry Pride denied the company might sell Adams simply to help pay down debt attached to the Revlon takeover. They said a more logical reason would be to eliminate any appearance that Adams might be buying Revlon products at favorable prices.

Pay Less builds bantam Key unit

8,100-sq.-ft. Myrtle Creek, Ore. store to open in May

WILSONVILLE, Ore. — Pay Less NW, which operates six Key Drugs in three Western states—all acquired from independent operators—will open its first built-from-the-ground-up bantam in Myrtle Creek, Ore., in May.

Myrtle Creek is 17 miles south of Roseburg and 177 miles south of Portland, with a trading area of 15,000.

The store will be 8,100 sq. ft. overall, and includes 7,400 sq. ft. of sales space.

The location is a strip center anchored by a supermarket and variety stores; two independent drug stores nearby provide the only competition.

The layout, adjusted for the configuration of the building, has cosmetics on the left, adjoining pharmacy. Audio-visual is in the right front corner, with housewares on the right wall. Greeting cards are in an alcove in the rear. There is a dual checkstand centered at the front.

K mart, Pay Less NW's expansion-minded parent, is pushing for more Key Drug stores (ranging from 6,000 to 10,000 sq. ft.). A Pay Less exec told *Drug Store News:* "K mart is desirous of progressing rapidly. They'd be happy if we could open 20 next week."

However, locations aren't that easy to come by. "The good independents don't want to sell, and we're not interested in the bad ones," the executive said. "Also, small chains in our size bracket who are willing to sell are difficult to find."

What does Key look for? Basically, adequate parking, a population draw of 5,000 to 10,000 people and a grocery store in the vicinity to pull traffic.

What differentiates Key Drug stores from similar types of convenience stores-with-pharmacy (such as the new Thrifty Jr.) is that the Key pharmacist is also the store manager. By having the store manager/pharmacist spend half his time filling scripts, the store can fill almost as many as a conventional Pay Less, which employs an average of two and a half pharmacists. Thus, the labor saving is substantial.

Each Key store is projected to do $35,000 a week, and the mix is adjusted to size and locale. For example, the Freewater, Ore., store (8,000 sq. ft. overall, 6,000 selling) has eliminated the following departments found in the first and largest Key in Sequim, Wash. (17,000 overall, 11,200 selling): records, sporting goods, shoes, automotive and hardware.

Key's basic marketing plan is to invest as little as possible in the changeover of an acquired store so that the unit will show a profit within a relatively short time—six months to a year. This compares with up to three years for a conventional, 30,000-sq.-ft. Pay Less.

What also differentiates Key's merchandising program from a Pay Less is that Key isn't ad driven. Thus, Key has fewer loss leaders in consumables.

FINANCIAL

Med Shoppe profits increase 14%

ST. LOUIS — Medicine Shoppe, the nation's largest pharmacy franchiser, reported that net earnings for the first quarter ended Dec. 31 increased 14% to $800,282, or 23¢ a share, from $701,426, or 20¢ a share, the previous year.

Revenues for the quarter, consisting primarily of franchise fees from 583 drug stores in 47 states, increased to $3.97 million from $3.35 million.

The company reported that the fiscal first quarter ended with a backlog of 174 signed franchise agreements, compared with 107 in the corresponding year-earlier period.

Medicine Shoppe also said that total sales by all franchised pharmacies showed a quarter-to-quarter increase of 21%.

Med-Glaser net income declines

ST. LOUIS — Medicare-Glaser reported that net earnings declined in the third quarter ended Dec. 31 to $92,000, or 3¢ a share, from $380,000 or 13¢ a share in the same period a year ago.

Sales for the quarter were up only 1.7% to $22.6 million.

Harlan Steinbaum, president and ceo, said that general merchandise sales in December were below expectations as a result of a soft economy and an "increasingly competitive environment."

For the nine months, Medicare-Glaser reported a loss of $213,000 or 7¢ a share, compared to a profit of $661,000, or 22¢ a share, in the year-earlier period.

Sales for the nine months totaled $64.6 million.

Begley stock rises

RICHMOND, Ky. — Reacting to a positive earnings report for the first nine months of the fiscal year, Begley Company's stock rose more than seven points in four days last month before falling back slightly.

The stock climbed from $16.25 on Feb. 5 to $23.50, a high for the year, on Feb. 11, after the company reported third-quarter earnings of $738,439, or $1.34 a share, a gain of 35%. Sales and other revenues for the period increased slightly to $19.5 million from $19.2 million.

Earnings for the nine-month period were $869,600 an increase of 35.8% over last year's $640,600. Sales for the period were $54.9 million, up 9.4% over last year's $50.2 million.

Don Snyder, Begley executive vp-treasurer, attributed the earnings increase to "expense controls."

He said that lower salaries and operating expenses and a "better mix" of higher gross products "are finally paying off."

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 01/24/86 - 02/10/86							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin					Last Fiscal Year			Last Fiscal Year (Per Share)	
					Change		52-Week						Last Fiscal Year					Latest P/E Ratio	Indicated Dvd. rate		Last X-Dvd. Date			Current Ratio	Long Term Debt	Common Stock Equity
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct				Amt.	Yield		Revenue	Earnings			
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	67.25	62.75	66.88	3.88	6.15	68.25	48.63	.01	.04	.52	21.90	5.71	.86 N	19.5	34.0	1.5	12.7	.84	1.3	12-09-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	22.00	16.25	22.00	5.75	35.38	22.00	15.50	.23	7.20	10.98	82.08	1.26	.12 S	9.9	5.0	1.1	16.5	.72	3.3	01-14-86	66.1	.7	1.7	13.77	18.84
Big B	BIGB	16.00	15.50	16.00	.63	4.07	19.50	13.00	-.03	-.08	-3.55	33.33	.68	.11 N	18.0	19.0	3.0	22.2	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	5.00	4.88	4.88	-.25	-4.88	6.13	3.75	.02	-.33	-6.18	23.68	.35	-1.02 N	-100.0	NC	1.2	NE	.60	12.3	05-09-85	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	31.00	27.88	30.50	-.25	-.81	32.25	20.00	-.14	.44	-4.04	19.86	-.22	-2.61 Q	-100.0	NC	-.3	NE	1.04	3.4	09-09-85	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	10.13	9.38	10.13	.25	2.53	12.13	8.00	.37	.77	-.06	17.94	.62	-.32 N	-48.5	30.0	2.4	29.8	.20	2.0	03-21-86	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	13.75	12.75	13.00	-.50	-3.70	14.88	9.13	.39	-.12	-3.02	3.61	1.03	-.09 N	-8.7	41.0	1.9	13.7	.20	1.5	09-24-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	31.25	29.50	31.25	1.63	5.49	32.00	24.00	-.06	-.25	-1.30	-12.43	1.88	.10 N	5.5	10.0	2.9	16.2	.72	2.3	08-27-85	1375.8	40.1	2.1	.00	12.23
Medicare Glaser	MGCO	4.50	4.00	4.50	.50	12.50	6.00	4.00	-.07	-1.45	-3.28	-32.76	.05	-.49 N	-100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Medicine Shoppe	MSII	23.25	21.75	23.25	.63	2.76	26.00	21.00	-.33	1.17	8.86	10.46	.84	.16 Q	22.5	49.0	22.4	26.7	.00	.0	00-00-00	13.4	3.0	9.2	.00	5.08
Perry Drug	PDS	17.38	16.00	17.00	.50	3.03	18.75	11.19	-.13	.38	-1.73	2.81	.98	.14 F	16.7	16.0	1.8	17.3	.19	1.1	09-11-85	521.6	9.6	1.5	1.60	7.07
Revco Drug	RDS	27.88	26.00	27.50	.13	.46	29.50	23.13	-.07	-.36	-4.44	-3.64	1.06	-1.50 S	-65.2	-5.0	1.6	34.4	.80	2.9	08-19-85	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	27.50	24.88	27.38	2.38	9.50	33.50	21.50	.04	1.15	-3.84	12.94	1.69	-.11 N	-6.7	8.0	4.8	17.8	.58	2.1	01-13-86	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	24.88	23.50	24.63	.75	3.14	25.38	18.13	-.17	.61	.79	18.77	1.60	.19 Q	13.3	16.0	2.3	15.2	.64	2.6	02-04-86	1404.9	31.9	1.7	5.86	6.85
Walgreen Co	WAG	27.88	25.50	27.63	2.00	7.80	30.25	22.50	-.09	.48	-.33	-5.02	1.53	-.39 Q	-23.1	19.0	3.0	21.3	.50	1.8	02-11-86	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																										
Bergen Bruns	BBCA	33.38	31.41	33.38	1.59	5.01	33.38	21.41	.13	.04	1.39	-18.80	1.82	.25 Q	15.9	15.0	1.0	18.3	.32	1.0	01-28-86	2434.9	24.2	1.7	11.12	12.07
Bindley Wstn	BIND	10.38	9.88	10.38	.38	3.75	15.00	7.75	.11	.19	-1.00	24.41	.73	.15 N	23.4	23.0	.8	13.1	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	20.38	19.50	20.25	.50	2.53	20.38	14.53	.06	.73	2.94	32.04	1.01	.21 S	23.1	NC	1.2	18.1	.08	.4	01-02-86	320.0	3.7	1.7	.94	8.85
Durr Fillauer	DUFM	13.00	12.38	13.00	.25	1.96	15.25	9.25	-.07	.68	1.30	21.24	.74	.07 N	9.9	14.0	1.7	16.7	.14	1.1	07-01-85	341.7	5.8	2.3	1.21	6.05
Foxmeyer Cp	FXM	34.63	23.63	34.50	10.88	46.03	34.63	20.75	.96	8.55	12.30	39.88	1.56	.02 S	1.3	26.0	1.3	22.0	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51
Ketchum	KCH	22.13	20.75	20.75	-1.38	-6.21	23.25	14.06	-.10	-1.05	-7.33	-15.15	.56	.14 S	35.0	NC	.2	38.4	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	54.88	50.63	54.88	4.13	8.13	54.88	37.63	.07	.01	.38	5.39	3.60	.38 N	10.9	-1.0	1.3	14.1	2.40	4.4	11-25-85	4887.1	65.0	1.5	12.99	30.40
Moore Med	MMD	20.25	18.63	19.75	-.38	-1.86	23.38	9.66	-.66	.84	4.32	7.42	1.02	.45 N	47.4	18.0	2.9	14.1	.00	.0	05-23-85	115.4	3.3	3.3	2.45	5.25
Owens & Minor	OBOD	17.50	17.25	17.38	.00	.00	18.38	9.50	-.21	-.46	-7.74	2.27	.95	.23 N	26.1	16.0	1.2	15.7	.28	1.6	09-10-85	306.7	3.6	3.0	5.35	8.54
Manufacturer's transactions																										
Abbott Labs	ABT	69.63	63.38	68.88	4.13	6.37	72.00	46.75	-.04	-.49	.77	2.67	3.88	.54 F	16.2	18.0	13.8	17.8	1.40	2.0	01-09-86	3360.3	465.3	1.9	3.91	13.33
Am Home Prod	AHP	69.50	63.63	69.38	5.50	8.61	69.50	54.75	.29	-.15	.47	6.39	4.70	.31 F	7.1	11.0	15.3	14.8	3.10	4.5	02-07-86	4684.7	717.1	3.4	.26	13.74
Baxter Travenol	BAX	16.25	15.13	15.38	-.75	-4.65	16.88	12.38	-.08	-1.15	-2.40	-6.51	.21	-1.06 N	-82.8	-25.0	1.6	69.9	.37	2.4	12-09-85	1800.4	29.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	23.50	22.00	23.25	.75	3.33	23.50	14.81	.33	.59	-2.63	-6.69	1.70	.22 N	13.6	12.0	10.5	12.6	.49	2.1	12-03-85	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	16.50	14.50	16.38	1.50	10.00	22.63	12.00	-.46	.71	-1.48	9.98	.61	.10 N	17.2	22.0	18.2	24.1	.03	.2	08-06-85	29.1	5.3	7.5	.00	3.70
Bristol-Myers	BMY	64.88	60.75	64.00	1.13	1.79	68.50	53.38	-.24	-.36	2.51	-8.77	3.86	.41 F	11.9	14.0	12.0	16.6	1.88	2.9	09-30-85	4444.0	531.4	2.5	.75	15.63
Carter-Wallace	CAR	57.50	50.88	53.63	-1.88	-3.38	57.50	30.50	.36	-.84	1.16	-6.45	2.66	.86 N	32.8	21.0	5.9	15.4	.60	1.1	11-01-85	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	30.88	28.38	30.00	1.25	4.35	32.50	17.38	.16	-.61	-1.09	-21.31	.73	.40 N	70.2	16.0	17.4	30.9	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	14.88	12.38	14.13	.88	6.60	14.88	8.50	.03	-.67	-1.34	-18.67	.00	-.12 N	-85.7	NC	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	13.50	10.63	12.88	2.00	18.39	13.50	7.13	.48	2.07	5.73	5.88	.61	-.21 N	-33.9	47.0	14.6	31.4	.00	.0	09-09-85	151.1	22.1	3.4	2.52	1.60
Lilly Eli Co	LLY	57.75	51.31	55.88	4.13	7.97	57.75	36.19	-.07	-1.18	-1.13	11.76	3.38	.26 N	7.7	10.0	15.8	15.4	1.80	3.2	02-07-86	3109.2	490.2	1.7	.81	15.52
Lee Pharm	LPH	12.75	9.88	12.38	2.50	25.32	12.75	4.63	1.32	2.60	.00	3.39	.40	.17 Q	70.8	NC	6.6	30.2	.00	.0	00-00-00	12.2	.8	3.1	.00	2.49
Leiner P Nutri	PLIN	12.75	12.00	12.75	.63	5.15	14.38	8.25	.65	1.44	-4.63	54.55	.78	-.27 S	-31.4	NC	4.1	21.6	.00	.0	00-00-00	53.6	2.2	2.5	.00	4.90
Marion Labs	MKC	60.25	51.00	58.25	7.38	14.50	60.25	26.00	.92	1.02	-1.21	7.60	.94	.42 S	55.3	38.0	12.2	49.4	.36	.6	12-16-85	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	144.00	135.00	143.13	7.75	5.72	144.00	97.38	.01	-.43	-2.26	-7.85	7.58	.87 F	13.0	7.0	15.2	18.9	3.60	2.5	12-03-85	3547.5	539.9	2.0	2.48	35.29
Morton Thiokol	MTI	37.50	30.00	34.00	-2.50	-6.85	40.50	28.13	-.59	.31	7.82	-18.48	2.50	.37 S	16.0	22.0	6.7	12.7	.70	2.1	11-18-85	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	17.75	16.00	16.00	-1.25	-7.25	26.00	13.50	-.15	-1.35	-1.01	-.44	.52	.41 N	100.0	71.0	23.3	19.5	.05	.3	02-19-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	12.63	11.25	11.63	-1.00	-7.92	14.50	5.50	-.50	-1.61	.47	18.57	.05	.00 S	NE	NC	6.7	NE	.80	6.9	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	16.25	14.75	14.75	-1.50	-9.23	23.25	11.19	-.34	-1.53	-2.82	31.07	.47	.00 F	.0	83.0	14.1	31.4	.00	.0	00-00-00	21.3	3.0	2.2	.92	2.33
Pfizer Inc	PFE	50.75	46.25	50.38	3.38	7.18	56.25	37.63	-.20	.39	1.66	13.14	3.44	.36 F	11.7	16.0	14.4	14.6	1.64	3.3	01-27-86	4024.5	579.7	2.3	2.10	15.45
Reid Prov Labs	REID	7.50	5.88	7.50	1.63	27.66	7.50	4.00	.26	5.13	-4.84	40.61	.13	.06 S	46.2	28.0	6.0	39.5	.04	.5	12-10-84	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	15.63	13.38	13.50	-1.13	-7.69	23.50	5.50	.78	-1.36	-1.48	-24.02	2.53	20.97 F	NE	NC	8.7	5.3	.00	.0	11-19-84	706.1	61.4	1.7	.47	-5.23
Rorer Group	ROR	36.75	32.50	33.88	-2.75	-7.51	47.00	28.25	-.33	-.58	-1.26	-8.38	2.08	-.04 N	-1.9	4.0	8.5	16.6	1.12	3.3	11-04-85	522.1	44.3	1.9	2.18	11.07
Scherer RP Co	SCHC	16.50	15.75	16.38	.88	5.65	16.50	9.50	.33	.24	3.34	-1.86	-.43	-.96 S	-100.0	NC	-2.0	NE	.32	2.0	12-09-85	167.4	-3.4	1.7	4.07	9.72
Squibb Corp	SQB	83.75	79.00	81.13	2.75	3.51	85.00	51.13	-.06	-.93	.60	.34	3.68	.46 N	12.9	21.0	10.5	20.1	1.76	2.2	11-08-85	1886.0	197.2	2.3	3.74	24.87
Sterling Drug	STY	41.50	38.00	40.88	2.75	7.21	41.50	27.25	.20	.41	-.36	4.01	2.37	.13 N	5.6	4.0	7.8	16.6	1.20	2.9	11-07-85	1827.3	143.4	2.6	1.32	15.34
Syntex Corp	SYN	49.25	41.50	48.88	7.50	18.13	49.25	26.94	.20	-.31	.17	-17.15	2.33	.55 Q	27.5	15.0	15.8	19.2	1.20	2.5	12-16-85	948.5	150.0	2.1	2.68	9.40
Thompson Med	TM	15.25	14.00	14.63	.13	.86	18.38	11.75	-.04	-.22	-3.02	-7.75	2.20	-1.04 N	-46.0	15.0	10.8	12.0	.40	2.7	12-23-85	197.2	21.2	4.3	.00	7.09
Upjohn Co	UPJ	136.00	128.88	134.13	5.38	4.17	141.50	73.00	.06	-.08	-2.90	9.53	5.67	.39 N	6.9	1.0	8.0	22.1	2.80	2.1	01-03-86	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	49.00	45.00	46.50	.50	1.09	49.38	33.75	-.12	-.36	-2.04	-14.16	2.81	.27 N	9.7	7.0	7.1	15.3	1.56	3.4	11-04-85	3166.7	223.9	1.7	6.47	18.18
Zenith Labs	ZENI	22.25	20.25	20.25	-1.75	-7.95	29.50	9.25	-.26	-1.85	-4.11	-20.41	.28	.97 N	510.5	89.0	7.7	17.5	.00	.0	06-19-85	37.5	2.9	2.6	.27	1.99

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes: NA - Not Applicable; NC - Not Calculable; NE - Negative Earnings; NM - No Meaningful Figure; Q - First Quarter; S - First 6 Months; N - First 9 Months; F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

1986 Cosmetics PREVIEW

DRUG STORE NEWS

Spring colors to awake sleepy cosmetics sales

Sassy without being overwhelming. Subtle but not dull.

The spring color palette for 1986 is just what customers are seeking as they emerge from the cold winter.

For retailers, the new colors and new products headed for shelves should also bring sales out of the doldrums.

Winter 1985 and Christmas saw consumers holding back somewhat in cosmetics purchases. Now, the experts say, there is pent-up demand for new items. The forecast, say vendors and retailers, is for volume to jump 8% to 10% over last spring's sales. And, since price hikes are only modest, that means unit growth will be up, too.

"The colors for spring," says Roz Daiboch, vp product development for Maybelline, "are fresh, clean colors."

The major cosmetics vendors are currently selling-in spring promotions. Buy-in is strong and retailers are clearing floor and shelf space for the new sku's. Colors range from soft corals to dreamy blues. "We are seeing a great deal of purples, pinks and reds," says one buyer.

L'Oreal's director of product development Linda Harris sums up the new season like this: "Colors will be inspired by clothing where we are seeing a definite Watteau influence with ruffled collars. It will be a soft look set off by a dreamy look for the eyes."

Spring color and product launches are crucial to drug store retailers. After Christmas, spring is the next biggest season.

Adds Harris, "Even if the consumer can't afford a new spring outfit, she can update her look with cosmetics."

Colors, like fashion, go in cycles. The new colors, Harris notes, hint that people are not unhappy with the way things are shaping up.

"These are not off-the-wall colors and it shows people are pleased with status quo."

She also says spring colors are a nice bridge between the quiet winter colors and the more daring summer shades.

1986 Cosmetics PREVIEW

State of the industry:

Although 1985 sales were not as high as buyers had hoped, the drug store cosmetics business is quite healthy.

Ever since the 1970's, when women headed to work, mass outlets have been gaining on department stores. Afterall, who has time to shop for color at a department store anymore?

At the same time, manufacturers for mass outlets have become smarter. They debut colors and new products judged by the American woman to be as superior as the pricier offerings at department store counters.

For example, just 10 years ago, department stores controlled the cosmetics business. Now, drug stores command almost 42% of all sales; outpacing department stores with only a 36% share.

Women may prefer a department store, where sales help is on call, for the purchase of skin care, but when it comes to color cosmetics, drug stores are the place to be.

Cosmetics sales in chain drug stores hit $1.35 billion in 1984, an increase of 13.1%. That growth outpaced sales in areas such as toys, photo, general merchandise and proprietary drugs. What's more, volume has soared 35% since 1979. Cosmetics play an integral role in any drug store with sales contributing 5.3% of total drug store volume.

Following are the experts predictions for eyes, lips, face and nails for 1986, as well as a look at some new products:

EYES:

Perhaps the first area a woman wants to have featuring the latest in color is her eyes. This year is no exception. L'Oreal wants to transform women from the "dreariest winter" to sizzling spring with its trio eye shadows. Its Once Upon a Spring collection includes two dazzling eye assortments. The first—Lace/Heather/Lupine—reflects the flowery images of spring. The chamois/bleufleur/Ciel collection helps create a dream like look for the eyes. Both Shadow Riche Trios are priced at $5.25.

Revlon is taking its customer to Los Angeles this season, at least in its color collection, that is. Although Revlon's colors are bold for spring, the palatte for eyes is gentler, says Nancy Risdon, spokesman. Revlon suggests the eyes balance hot colors elsewhere on the face. The newest technique, says Risdon, is not to blend, rather to wear a variety of contrasting pastels together. The Los Angeles promotion includes the following colors for Revlon's immensely successful Custom Eyes kit: Wisteria, Society Mint, Tiger Lily, Baby Blue, Not Quite White and Taupestar. The suggested price of the refill is $2.10.

Del Laboratories Inc. expects women will get more creative with their eyes this spring. To that end, Flame Glow features "Stripe It Rich," "Stripe It Royal" and "Stripe It Affluent." These are 2+2 Designer Eye pencils that are double-ended split lead pencils. This allows for four contemporary eyeliner shades in one pencil. Plus, the pencils are collagen-enriched for smooth and even application. Flame Glow has three different pencils which are coordinated with three new shadow kits.

At Maybelline, the emphasis will not be on one color, rather a collage of colors. The theme this year is "Catch a Bouquet of New Spring Shades."

Max Factor's new spring collection is built around peaches, pinks, lavenders, blues and white. The theme: Brights in Soft Focus."

Cosmetics kits took the industry by storm two years ago and sales have not let up since. Flame Glow has a bevy of new Soft Totes with six new shadow combinations. Jordache, also, has a host of hot new kits.

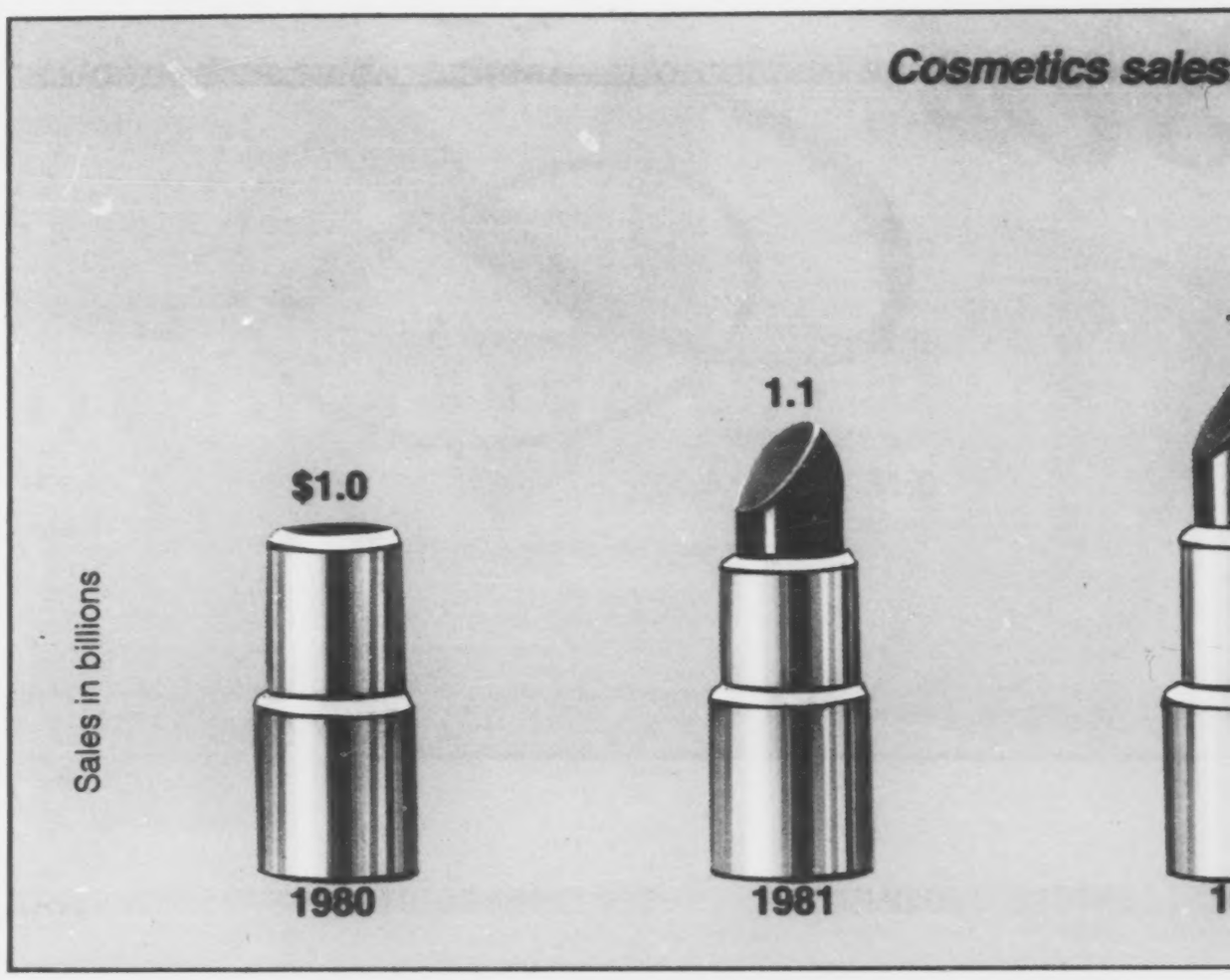
Consumers like the kits because it is an easy way of putting together a group of colors that mix well together. In a sense, kits do away with the need for highly trained sales help—the kit does it all.

"For spring we are seeing bright pastels," says Norman Greif, president of Jordache cosmetics. Jordache is right on cue with its spring collections called Sassy Eyes. Greif predicts women will continue to wear at least two colors of eye shadow with whites and beiges playing a greater role than ever in 1986.

He reports very strong movement of Jordache kits at prestigious outlets such as The Broadway, which from July to December 1985 moved over 500,000 pieces. Chain drug stores are also enjoying phenomenal success with Jordache cosmetics, buyers confirm.

LIPS:

Cracked from the winter's cold, lips will need plenty of attention this spring.



To warm them up, Flame Glow is getting hot and steamy with a sensuous trio of three lip essentials including Flame Glow Hours Longer Lipstick, Flame Glow Double Shine Plus Color Lip Gloss and Flame Glow Professional Lip Liner Pencil. The colors are hot: Red Hot, Steamy Pink and Nude.

Things do not cool off at Revlon with new Super lustrous lipstick colors including L.A. Pink, Magenta Del Rey, California Sunshine and Valley Violet. Its Formula 2 lipsticks will be available in 20th Century Pink and The Latest Coral.

Max Factor features sizzling lip colors such as Captivating Coral, Startling Pink, Arresting Orchid and Daring Rose.

Lip colors at L'Oreal are also dramatic bearing names such as Tulipe, Enchanted Coral and Golden Apple.

Indeed, the look for lips in 1986 will be dramatic. Lips will be bold, bright and sultry. For those who like to tone the look down, most companies are touting a white or beige to combine for a softer look.

"These new lip shades," says one buyer, "should revive sagging lip color sales."

FACE:

Cheeks need color, too. Revlon, L'Oreal and Flame Glow offer just the solution. Flame Glow features shades to offset the softer eye colors such as metallics and even lamé. L'Oreal's visuelle Powder plush colors are Tulipe and Shell. Revlon aims for the All-American look with "drenched in the outdoor" shades of Pink and Coral.

To put the finishing touches on the face colors, Max Factor serves up Blushing Peach and Freshwater Peach.

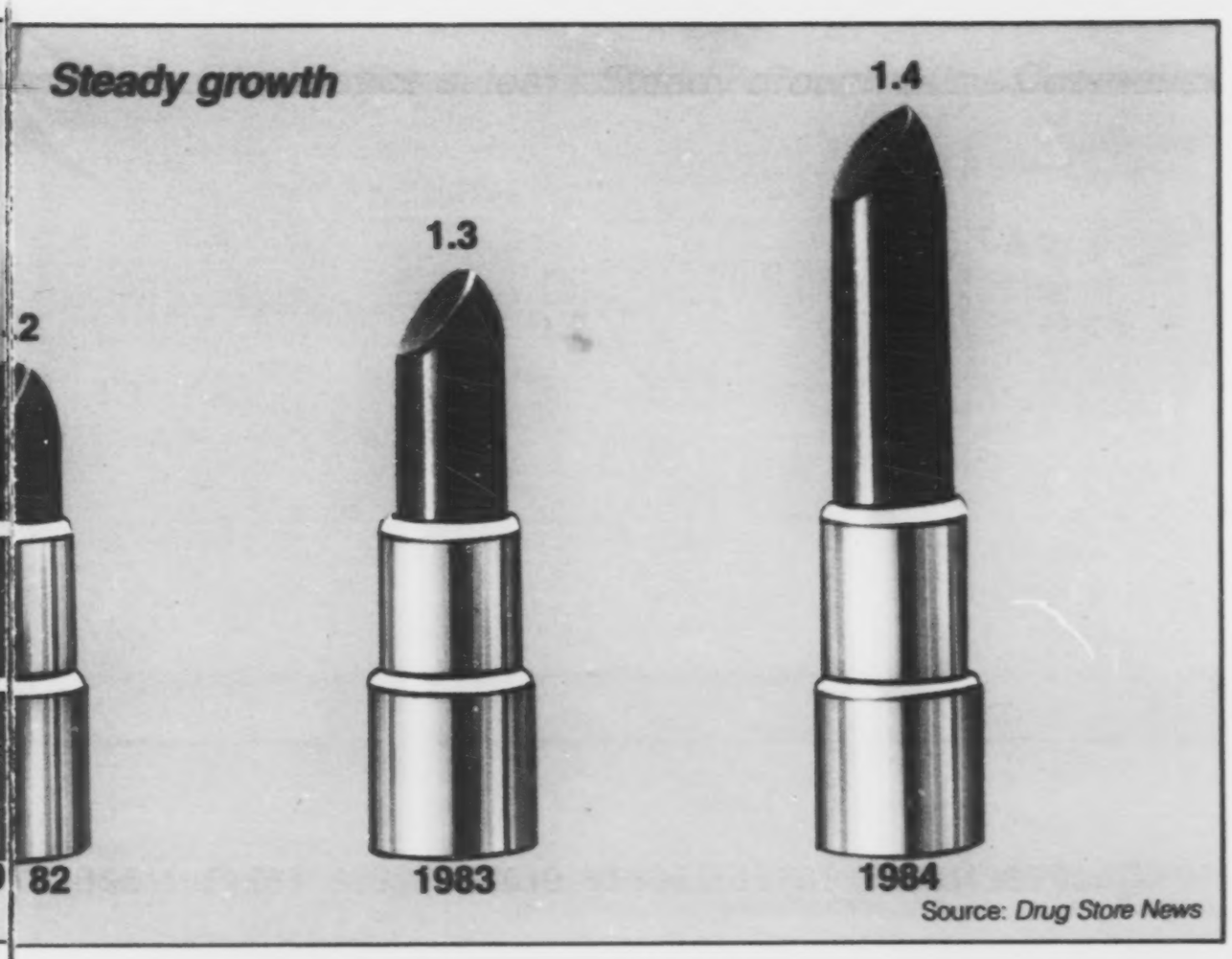
NAILS:

Perhaps no category is expected to go through as much change in 1986 as the nail category. Consumers are expected to get daring and team up more than one color on each nail. Revlon, for example, suggests women make short nails appear longer and more dramatic by parting one half a deep shade; the other a lighter shade.

NEW PRODUCTS:

New items, like new colors, keep customers coming to the drug store. Spring 1986 brings with it a plethora of innovative and exciting new items and promotions.

Flame Glow will be introducing a new mascara called Gentle Performance Mascara. It is an advanced waterbased formula that is gentle and nonirritating. Women with sensitive eyes will be glad to hear it is opthamologist tested and safe for contact wearers.



worlds—a waterproof mascara that thickens lashes and simply rinses off when washed," says LeVan. The suggested retail is $4.25.

Retailers eagerly await the host of mascaras. Mascara, they add, is one of the fastest turning sku's and these new technologies will boost sales. The trend, they add, is to longer lasting, yet safer mascaras suited for sensitive eyes.

As shoppers leave their winter blues behind, retailers are ready to greet them with what they need to start spring off right.

COSMETICIAN TIPS: Although these new colors will almost automatically move off the shelves, there are a few hints vendors offer to sales help that will guarantee sell-through.

For one, put the new colors in a high traffic area. Manufacturers put a great deal of effort into header card designs and these displays are sure to grab the shopper's attention.

The cosmetician or sales clerk should also be familiar with the spring colors so she can steer a shopper to them. Once a customer likes a particular nail shade . . . the matching lipstick should be suggested, too. Keep in mind the customer's skin tones when suggesting colors. The new palettes have a wide range for everyone.

Most important, wear these new colors. How can you sell products you don't wear? If your management allows it, do some simple makeovers using the new colors. A woman who tries, often buys.

Also, sales help in the cosmetics area should be aware of fashion changes. You can forecast new styles to women and then convince them of what new colors will flatter new designs.

The cosmetician must help direct shoppers to all of the new items flowing into the market. When you have a shopper's attention, ask her if she has seen the new items. The new mascaras debuting for the spring are a natural.

Finally, spray some spring-like scents into the department. And, if a shopper purchases a new fragrance for spring, show her why she needs new colors for the new season, too. A cosmetician can make a big difference in spring volume. For those without sales help, make sure color launches are in full view. Afterall, manufacturers have heavy ad salvos prepared and shoppers will be entering your stores with these new items on their minds.

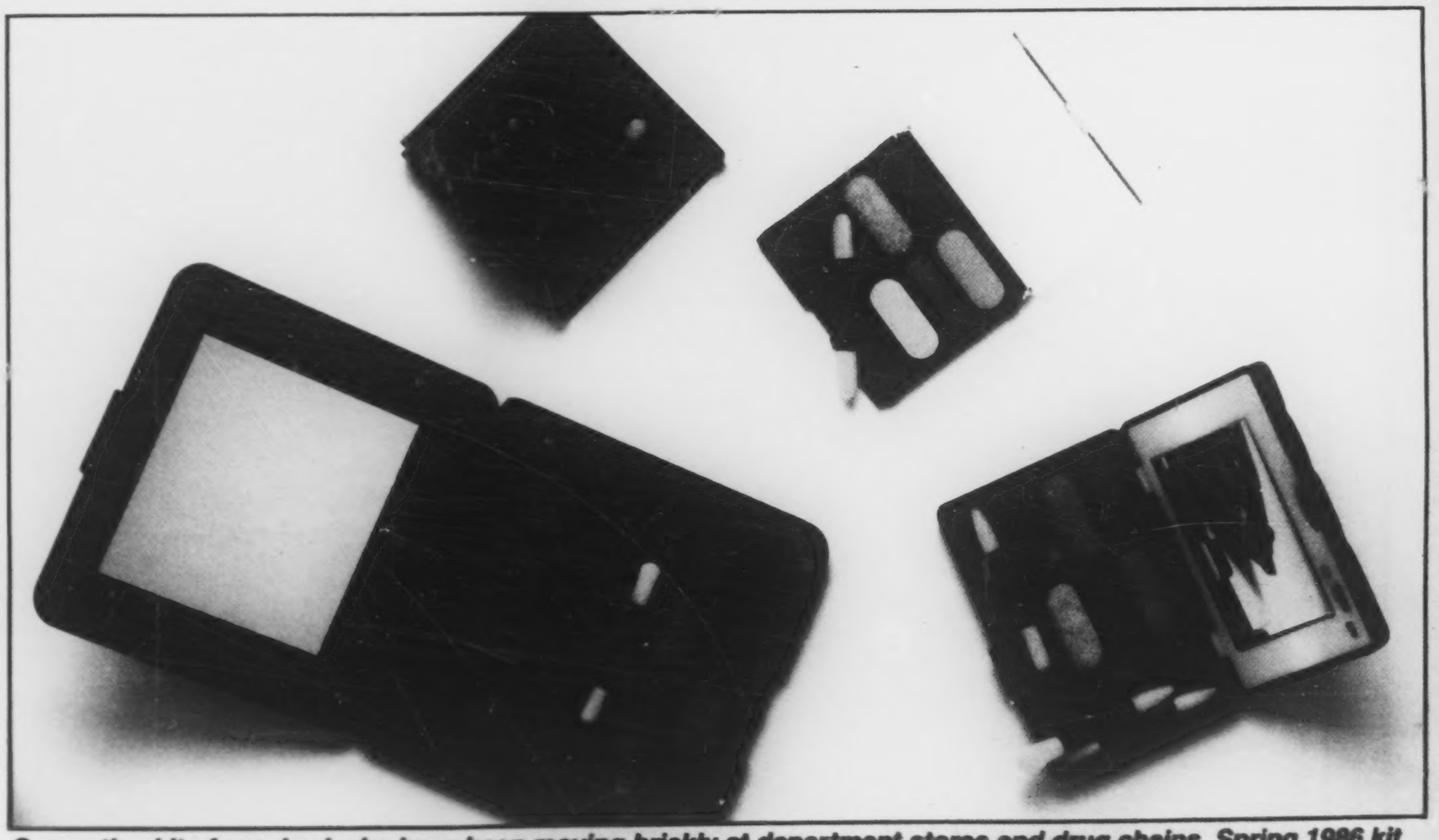
Jordache will launch a unique promotion teaming up its very popular fragrance with its cosmetics offerings. The products will be highly visible via advertisements in magazines such as *Glamour* and *Seventeen*.

L'Oreal will feature Kaleidolights, multicolored pencils with three ribbons of colors, as an in-and-out promotion.

Revlon is debuting Special Eyes Micropure Mascara, a mascara geared toward those with sensitive eyes. The new mascara is opthamologist tested and endorsed by Barnes-Hind for use with all contact lenses, including extended wear.

The need for a mascara for sensitive eyes was crucial, says Revlon because: 12 million women wear contact lenses; 50% of all women have sensitive eyes; and almost every woman wants a mascara that is not irritating. Revlon is also featuring a Special Eyes Micropure Mascara Remover.

Difficulty removing mascara is a common consumer complaint. Max Factor is solving that problem with its new Legendary Lash Mascara. Legendary Lash Mascara, says Sharon LeVan, vp marketing cosmetics of Max Factor, ensures a long lasting hold and it thickens, lengthens, styles and conditions lashes. And, she adds, when it is time for removal, Legendary Lash, which is waterbased, comes off easily with soap or any regular remover. Finally, customers need not compromise between waterproof mascaras that don't come off and nonwaterproof versions which run too easily. "Women can finally enjoy the best of both



Cosmetics kits from Jordache have been moving briskly at department stores and drug chains. Spring 1986 kit launches will keep volume rolling.

Tylenol

Continued from page 1

warning against taking any Tylenol capsules.

But by the end of the week, J&J announced it had discontinued manufacturing all of its over-the-counter medications in capsule form, including Tylenol, Sine-Aid, Co-Tylenol and Dimensyn, to prevent similar tampering episodes.

When news of the tainted Tylenol capsules broke on Monday, Feb. 10, a crisis alert went into effect in the nation's drug stores without an official recall from the FDA or McNeil. Here is how some of the nation's chains reacted.

• **Woodbridge, N.J.,** Monday, 11 p.m. Supermarkets General initiates a recall of all Regular and Extra-Strength capsules. Within 45 minutes all packages are removed from 127 Pathmark Superstores, 58 Pathmark Drug Stores and 11 Pathmark Food Stores in a five-state area, according to

At a press conference held at J&J's headquarters here earlier in the week, J&J chairman James E. Burke stressed that the poison which caused the woman's death did not come from McNeil's Fort Washington, Pa. plant, where the Tylenol capsules were manufactured during May Bob Wunderle, vp of public affairs for the chain. The packages are put in quarantine in each store and the names of the persons who pulled the packages off the shelves are recorded. No packages of the suspect lot number are found.

• **New York City.** Tuesday, 9 a.m. All Tylenol packages are removed from 26 Duane-Reade stores. "We didn't waste one second," says Duane-Reade president Eli Cohen. Altogether, 31 pieces from the suspect batch are found in three stores. Cohen says that McNeil or the FDA should "have helped us make some of the decisions during the emergency."

• **Chicago.** Tuesday. 8 a.m. Walgreens sends a message through its pharmacy computer system, Intercom, to pull Extra Strength Tylenol 24's in all of its 1,168 stores in 28 states and Puerto Rico. No suspect packages are found.

• **Cincinnati.** Tuesday afternoon. Kroger sends out a classified recall via telephone to remove Tylenol from the shelves. Over 2,100 Kroger, SupeRx, Hooks, and Dillon stores in 30 states respond. Packages from the suspect lot are discovered.

• **Melville, N.Y.** Tuesday morning. Genovese sends out a recall via phone to its 75 stores. The recall is based on news reports. Three stores were shipped the suspect lot number, but no packages are found. All packages are removed in less than one hour and consumers begin returning Tylenol packages.

For Johnson & Johnson, the poison capsules brought back the still unsolved tragedy of 1982, when seven people died after taking Extra Strength Tylenol laced with cyanide. The company spent $60 million to reinforce Tylenol's market share after the incident, and the stock bounced back from a low of 18.3% in 1982 to about 33% of the $1.6 billion analgesic market in 1985.

The latest cyanide scare also will cost the company millions of dollars, according to financial analysts. Tylenol accounts for 15% of J&J's earnings per share and rang up $550 million in sales in 1985, according to Mary Yost, a drug analyst for E. F. Hutton.

Drug expert David Saks of Morgan Olmstead, Kennedy & Gardner believes that J&J will lose about half of its $150 million capsule business and its stock will lose 50¢ per share. He said consumers will remain "loyal to the brand," but will switch to a different dosage form.

Asked how someone could have put cyanide in Tylenol capsules, which are packaged in a triply sealed container and package, Burke responded that despite such precautions, "There is no such thing as tamper-proof package."

John Walden, director of Public Affairs for the Proprietary Association, a consortium of over-the-counter manufacturers, agreed. "Essentially, 100% of our products have at least one seal and many have more, but we recognize that there is no such thing as a tamper-proof package and we don't think there can be," said Walden.

Foodtown

Continued from page 1

each store generating about $350,000 in sales per week. However, the chain has been pressed hard recently by a number of food retailers in the area offering the one-stop shopping convenience of a pharmacy plus food store and decided about six months ago to aggressively pursue the new format, according to Hammond.

Among the major food/drug retailers Foodtown competes with are Supermarkets General's Pathmark—its stores are generating 1,000 scripts per week—ShopRite and Quick Chek.

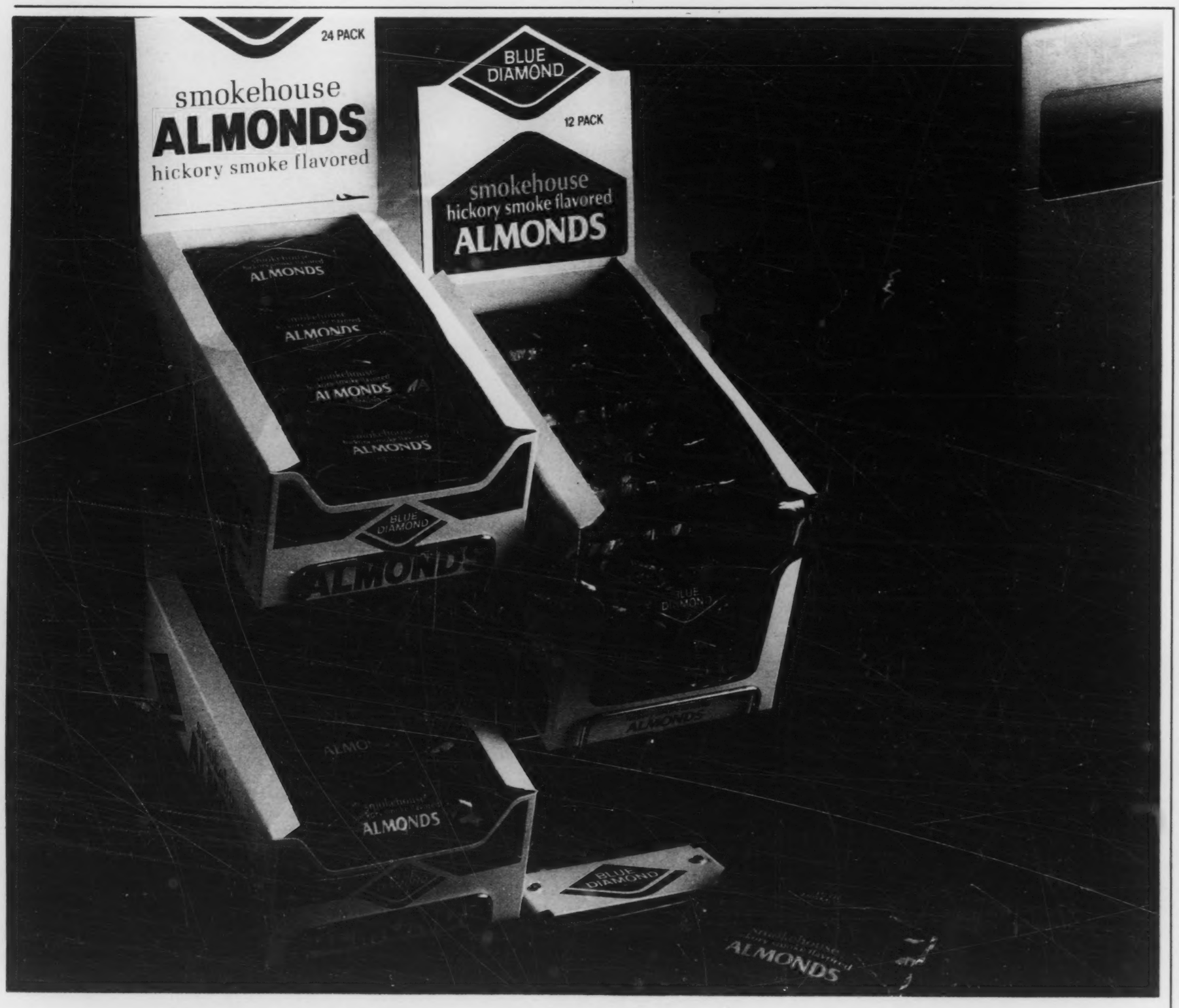
"The benchmark in the food industry is a total store gross profit of 21% and the net after tax of slightly less than 1%," said Bob Wunderle, vp of public affairs for Woodbridge, N.J.-based Supermarkets General. "Any other department with substantially higher gross margins and controllable costs is attractive," he said.

With pharmacy gross margins typically running at about 35%, food retailers have seized the opportunity to drive up the bottom line. However, opportunity does not knock without some out-of-pocket expenses.

Foodtown's Ken Hammond said that the cost of bringing a pharmacy into a food store is about $160,000—$40,000 for construction and fixtures, $40,000 for inventory and about $80,000 for two full-time pharmacists.

Correction

In reporting on Thrifty Drug's acquisition of the 15-store Drug King chain based in Van Nuys, Calif., in our Feb. 3 issue, *Drug Store News* stated that this was Thrifty's first acquisition since its founding 57 years ago. The sentence should have read that this is Thrifty's first acquisition of a *drug chain* since its founding 57 years ago.



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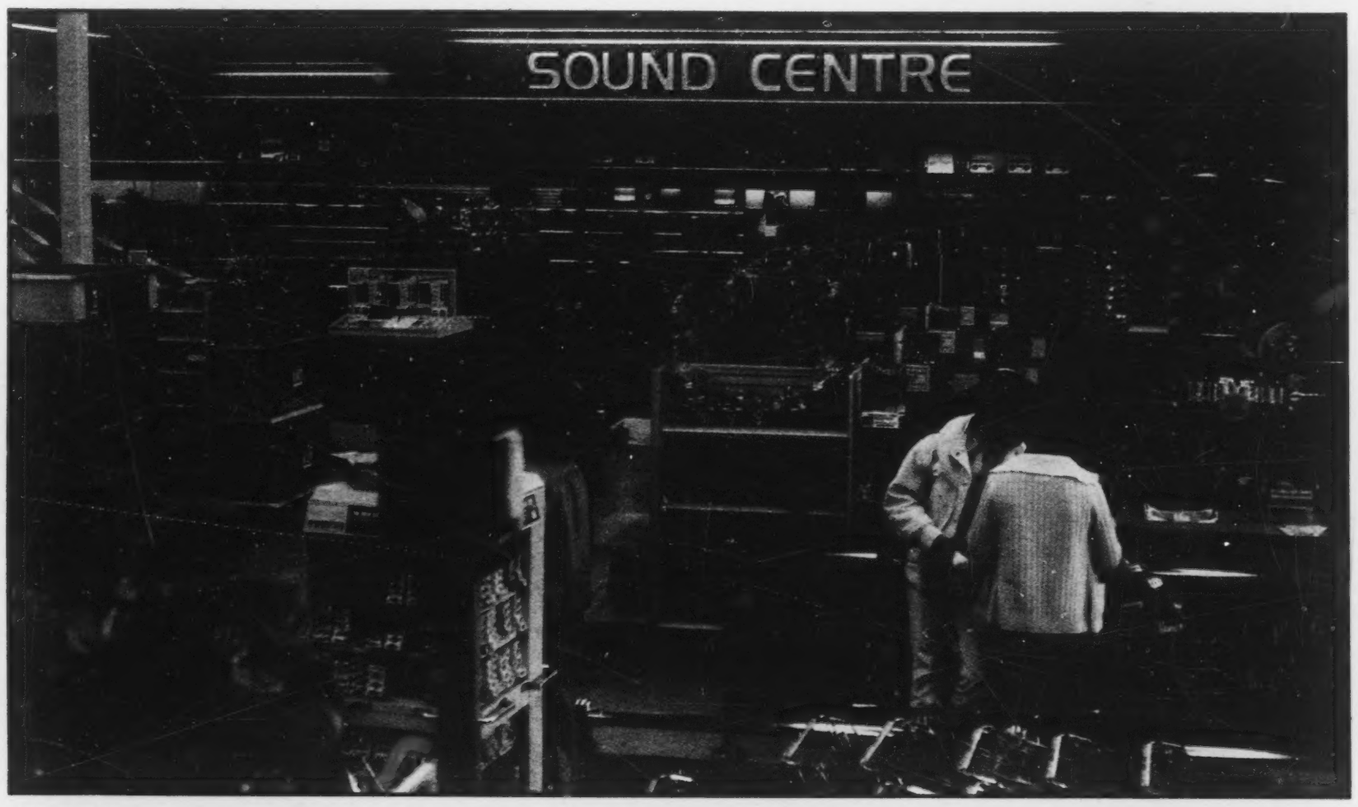
Merchandising Trends:
School supplies feature year-round appeal—p. 12

C.E. Lesson:
Traveler's diarrhea—p. 27

Inside Pharmacy:
Rx price differentials stir APhA debate—p. 21

DRUG STORE NEWS

Vol. 8/No. 6 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. March 17, 1986



Pay 'n Save's new planogram emphasizes gondolas that grow taller as they radiate from store's center to walls, making key departments instantly visible to shoppers.

Pay 'n Save set to revamp stores

Prototypes aim to spark sales

By Lou Karney

SEATTLE — In a dramatic move to rejuvenate sales and profits, Pay 'n Save has unveiled a new prototype for its existing stores.

The first to be reformatted is the 23,000-sq.-ft. store in Woodinville, 10 miles east of here.

All 108 Pay 'n Save stores (in Washington, Idaho, Alaska, Hawaii, California, Montana and Wyoming) will be revamped in Woodinville's image by this fall.

Pay 'n Save is also working on a new prototype for future stores. All stores to be built from the ground up starting either in late 1986 or early 1987 will incorporate the best elements of the new model for existing stores. The exact size of this new prototype is still being determined.

Key elements of the existing-store prototype include:

- Race track layout/"stadium presentation."
- Promotional tables for closeout merchandise, including discontinued items, overruns and special buys.

*See **Pay**, page 32*

Retailers remerchandise after J&J capsule pullout

By Marjorie Shaffer

NEW YORK — Many of the nation's drug retailers are remerchandising their analgesic and cough/cold sections following the Feb. 17 announcement by Johnson & Johnson that it would discontinue sales of all of its over-the-counter medications in capsule form.

See related stories, page 3.

Johnson & Johnson, whose McNeil subsidiary manufactures Tylenol, stepped up production of its noncapsule lines —caplets and tablets—one week after the discovery that a cyanide-laced Extra Strength Tylenol capsule had killed a 23-year-old woman in Westchester County, N.Y.

Retailers scrambled to fill the empty space left by the removal of the McNeil capsules, and many drug chains chose to add extra facings of private label acetaminophen products.

Among the major developments:

- Giant food chain, based in Landover, Md., posted shelf stickers in its stores in the analgesic section stating: "For your information, Giant Ex-Prin extra-strength capsules and Giant Ex-Prin tablets are manufactured by Pennex Products Co., Ind., and not by McNeil Labs. Inc./Johnson & Johnson."
- Eckerd said private label acetaminophen sales had increased since the poisoned Tylenol tragedy, with caplets and tablets outselling capsules. The chain put other Tylenol products in the space

*See **Pullout**, page 32*

Supermarket pharmacy profile

- 63% are in new stores; only 37% added to older stores
- 82% measure 300-600 sq. ft.
- Typically fill 85 prescriptions a day
- Account for 1% of store space, 1.2% of sales and average 30% gross margins.
- Prescription drugs account for 77% of sales; non-Rx, 23%.

Source: Food Marketing Institute, 1985.

6 combos planned

Publix eyes Rx's

By David Vaczek

LAKELAND, Fla. — Publix Super Markets, the nation's 10th largest supermarket chain, is preparing to set up a beachhead in the pharmacy business, with plans to open six food/drug combo stores this year.

The new stores, to be called Publix Food and Drug, will be 56,000 sq. ft., which is 15,000 sq. ft. larger than Publix' superstores. The combos will feature expanded nonfood categories and emphasize H&BA and cosmetics, according to company officials and industry sources.

The 292-store chain has one store under construction in Tampa; one in Longwood, an Orlando suburb; and one in Fort Lauderdale's Broward County.

Publix' aggressive entry into the food/drug combo store business will also include opening two more stores in Tampa and one more in Orlando in 1986, and the eventual pursuit of "every reasonable site that lends itself to a combination store," said Publix president Mark Hollis.

Hollis said the stores' pricing will be "competitive with

*See **Publix**, page 32*

SDM maps major expansion

By Liz Parks

TORONTO — After two years of flat store growth, Shoppers Drug Mart is planning aggressive expansion in all of its retail divisions.

Canada's leading drug chain operator, which is celebrating its 25th anniversary year, is planning to add another 30 stores to its 435 Shoppers Drug store division within the next 12 months, plus the company plans to expand its deep discount stores, its drug/convenience food stores, its drug/home health care stores and its Pharmaprix conventional drug store division in Quebec Province.

Shoppers, which is expect-

*See **SDM**, page 32*

Shoppers Drug will open at least 50 Food baskets in the next five years.

STOP & SHOP COS. has placed its 67-unit Medi Mart drug store chain on the selling block. The chain "really hasn't succeeded in achieving a position we wanted it to achieve in the drug store business," a spokesman said.

Side effects hinder compliance by hypertensives

See page 23

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Longs' earnings drop seen as temporary

By Al Heller

WALNUT CREEK, Calif. — For one day, investors felt Longs came up short.

But Longs officials explained that 30% lower earnings in the fourth quarter ended Jan. 30, to $8.7 million, were partly the result of one less week in the period, plus store expansion and MIS expenses that'll strengthen merchandising and operations at the 208-store chain.

Higher insurance costs and a LIFO charge in excess of $1 million also impacted earnings, the company said.

On the day of the report, Feb. 24, Longs' common stock fell 3¼ points to 28⅛, or 10.4%, but recovered 1⅝ the next day and finished the week at 28¾.

The 0.5% increase in sales during the Christmas quarter, to $418 million, reflects a slack sales picture in California, where most Longs stores are, and one week less in the period.

Competitors, analysts and other market sources pointed to the 6-month-old California state lottery as a recent drain on retail sales. They also felt that Longs would be particularly vulnerable in the first few months of 1986 because of the chain's stress on general merchandise sales. They said consumers were pulling in their purse strings to pay for their holiday season credit purchases.

Robert Barry, vp-marketing at Thrifty Jr., said, for instance, that his chain's sales "aren't what we anticipated. If we targeted, say, an 8% increase, some of our areas may be at about 5%."

"California isn't recession-proof anymore," he added, noting intense promotions by department stores to clear inventory before New Year's Day, computer industry softness and "beach weather" that's keeping people out of stores.

Longs is apparently taking a long-term view to counter current sales sluggishness. Rather than mandate sweeping changes in merchandising strategy, Phil Paz, vp-merchandising, said "districts will react according to local need. Some may become more promotional and advertise more, others may alter assortments."

Sutro analyst Jonathan Ziegler said Longs' stepped-up computer installation schedule will help the chain control expenses. Longs has installed Hewlett Packard 3000 microcomputers in 155 stores, and computers will be chainwide by mid-1986, when Longs expects to have 210 stores.

Pharmacy management, which uses about half the computer capacity, is the chain's MIS priority—not only to process prescriptions faster, but to alert pharmacists to any possible interaction of drugs, particularly for patients who may have prescriptions from several different doctors, said vp-administration William G. Combs.

He said that the chain's first three Colorado stores are "meeting expectations," noting it's too early to determine their eventual performance. Longs plans a fourth there in 1987. Two of those stores opened in mid-November, at 25,000-27,000 sq. ft., and were among 10 opened chainwide in the fourth quarter.

The third Colorado store opened Jan. 29.

Longs earnings drop
(in millions $)

	1st quarter		2nd quarter		3rd quarter		4th quarter		Full year	
	Net inc.	Sales	Net inc.	Sales	Net inc.	Sales	Net inc.	Sales	Net inc.	Sales
52 weeks ended 1/30/86	$9.4	$347.8	$10.9	$355.8	$8.7	$359.3	$ 8.7	$418.0	$37.7	$1,480
53 weeks ended 1/31/85	8.5	307.1	$10.4	324.3	8.4	327.6	12.7	416.7	40.1	1,376

Source: Longs Drug Stores

FoxMeyer says disciplined buyouts won't alter under NI

DENVER — FoxMeyer's bulging cash position under National Intergroup (NI) won't alter the drug wholesaler's approach to takeover targets.

FoxMeyer is expected to become the primary growth vehicle of NI, which was tendering to acquire all of the wholesaler's common shares at presstime.

Although FoxMeyer may have at its disposal as much as $500 million to acquire drug wholesalers at the end of 1986, chairman William Tauscher told analysts in New York recently that his buyout criteria won't change.

He said FoxMeyer will continue to look for companies whose purchase price roughly equals their current operating earnings, including the impact of 25% expense reductions typically made in each of its acquired companies.

Acquisitions accounted for half of FoxMeyer's rapid sales surge to an anticipated $1.3 billion in the fiscal year ending March 31. Yet, the wholesaler's disciplined approach to buyouts and cost-cutting has led it to back away from a recent deal with a West Coast firm—reportedly the Trump Group's Northwestern Drug—because of incompatible business strategies, sources said.

Tauscher stressed to the Wall Street group that takeover targets must be able to be placed on FoxMeyer's computer system for electronic order entry, centralized purchasing, marketing and administration efficiencies.

He told *Drug Store News* that he recently rejected a

William Tauscher

deal to sell his computer system business, and he considers it a key way "to hopefully control the entire inventory pipeline" for retail customers.

When FoxMeyer re-enters the acquisition arena, after a planned nine-month respite to absorb recent takeovers and hatch its next moves, it will further speed consolidation of the drug wholesaling industry.

NI's tender offer for all 6.7 million FoxMeyer shares at $35 apiece, or $233 million, was due to expire March 12. The anticipated conversion of debentures into common would raise the buyout cost to $350 million.

Moreover, FoxMeyer has granted NI an option to buy an additional 1.233 million shares, about 18.5% of shares outstanding at presstime, at $31.375.

Antiporners move chains to review men's mags

In an attempt to retain customers upset by pornography, Peoples Drug Stores and Dart Drug have become the latest chains to reduce their involvement in men's magazines.

The companies are joining other chains that have backed out of the category in recent years, including Eckerd, which pulled all men's titles 18 months ago, and Rite Aid, which also reduced some titles in 1984.

Peoples was due to remove all such magazines from each of its 850 stores by the end of February; Dart is reviewing the category, with the likelihood of cutting titles by 50%.

Peoples projects that a $4 million corporatewide sale loss from the magazine cutback—less than ½% of total sales—will be recovered when boycotting antiporn customers return, said Joe Pollard, Peoples vp-advertising and public relations.

The latest action by the two East Coast chains is a response to increasing protests from customers and stepped up opposition from antipornographic groups, such as Citizens Against Pornography, which has been active in the Washington, D.C. market.

"We've seen a swing in the last 10 years from a very active free speech community to one that is more conservative or Christian-ethic based," said Stephen Hansbrough, chairman of the Dart Drug chain.

Peoples moved to pull the magazines after an avalanche of customer complaints, with 8 to 10 a day received at divisional offices in Alexandria, Va. Also, president Sheldon "Bud" Fantle cited a company survey that showed that the chains' customer base is more family-oriented, with a higher percentage of young people, Pollard said.

Peoples has carried 10 titles, including *Playboy* and *Penthouse*, with limited display in racks behind cash register counters.

Dart will pare its current 16-title assortment, but will continue to carry some items.

Both sides have stepped up lobbying in the nation's capital, where groups tend to be more vocal on citizen's rights issues, Hansbrough said.

"The market is to a large extent a litmus test to the country in general," said Hansbrough. "Things get blown out of proportion, but you can't ignore it."

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Vol. 8, No. 6 March 17, 1986

Dart's Hansbrough named to *DrSN* board

LANDOVER, Md. — Stephen Hansbrough, president and chairman of the 78-unit Dart Drug chain, has joined the *Drug Store News* Board of Advisers.

Like his co-board members, Mr. Hansbrough will be instrumental in enhancing the overall quality of *Drug Store News*' reporting by helping its reporting and management staff identify key trends within the retail drug community.

Hansbrough, who has been with Dart since 1975, was one of the major participants in a leveraged buyout of the company in June 1984.

Prior to the buyout, Hansbrough was senior vp of Dart Drug Corp. (now known as the Dart Group Corp.).

As Dart's senior vp, Hansbrough was responsible for all areas of operations, including distribution, management information systems, store operations and personnel.

He became president and chief operating officer of the newly formed drug company, Dart Drug Stores Inc., with the closing of the leveraged buyout in June 1984.

In October 1985, he assumed the additional responsibilities of chairman of the board and chief executive officer. He also holds the position of chairman of the board of Dart Drug Holdings Inc., a subsidiary corporation.

Prior to joining Dart, Hansbrough spent eight years with Peoples Drug Stores in Alexandria, Va.

Married to the former Christie Chamberlain Herron, Hansbrough, 39, has two children, Robert and Elizabeth. The family lives in Mitchellville, Md.

FINANCIAL

Cardinal reports $2.6M earnings

DUBLIN, Ohio — Cardinal Distribution reported higher net earnings and sales for the third quarter and nine months ended Dec. 28, 1985.

Earnings of $2.6 million in the third quarter compared to $1.2 million a year earlier, but included an after-tax gain of $1.1 million from last November's sale of a minority interest in its Mr. Moneysworth subsidiary.

Net sales in the quarter rose 17% to $113.7 million, up from $97.5 million a year earlier.

Gray Drug Fair '85 sales rise 8%

CLEVELAND — Sales for the Gray Drug Fair division of Sherwin-Williams were up 8% for the year ended Dec. 31, 1985.

Although the company did not break out its total sales for just the drug division, an 8% sales increase would give the division sales of approximately $675 million.

Profits were also up significantly for the division. Management said that Gray had a $6.6 million swing in operating profits, creating confidence that "1986 will be another year of improvement."

Management also said that although Gray Drug Fair fell short of internal budget projections, the company turned in a "respectable performance compared to last year's results." Last year, the division generated just $82,000 in operating profits, a decline of 99% over the year before. Sales for 1984 were $623.3 million, an increase of 8%.

The company also said that it was "significant" that the division also managed a gain in market share, an accomplishment that management called "extremely important for strengthening and providing for future performance."

Aggressive promotional programs and new stores were credited for most of the division's sales growth.

Commenting on 1985's results, John G. Breen, chairman, president and ceo, said that on balance, the company's performance "was a respectable one" even though it fell short of internal expectations, especially in sales goals.

Drug Systems' income dips

MILWAUKEE — Drug Systems announced lower revenues and earnings for the 12- and 40-week periods ended Jan. 4, 1986. Results were impacted by the company's disposition of White Drug Enterprises, a wholly owned subsidiary.

For the third quarter, revenues fell to $13.8 million from $29 million a year earlier, as net earnings slid to $434,000 from $584,000. For the three quarters, revenues were down to $68.5 million, compared to $81.7 million a year ago, as the company reported a net loss of $2.1 million compared to a $1.1 million net earnings gain in the same period a year earlier.

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 02/07/86 - 02/24/86							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change											Last Fiscal Year (Per Share)	
					Change		52-Week												Indicated Dvd. rate			Last Fiscal Year				
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.		Pct	5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$		%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																											
Am Stores	ASC	67.25	60.75	62.50	-3.75	-5.66	68.25	48.63	-.21	-1.27	2.17	-2.14	5.71	.86	N	19.5	34.0	1.5	11.9	.84	1.3	12-09-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	23.50	21.50	22.50	4.00	21.62	23.50	15.50	1.21	-.47	8.94	-45.00	1.26	.50	N	42.7	10.0	1.1	13.5	.72	3.2	01-14-86	66.1	.7	1.7	13.77	18.84
Big B	BIGB	16.00	13.75	14.63	-1.13	-7.14	19.50	13.00	-.37	-2.72	5.58	19.29	.68	.11	N	18.0	19.0	3.0	20.3	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	5.00	4.63	4.63	-.25	-5.13	6.13	3.75	-.55	-.36	-2.97	-31.82	.35	-1.02	N	-100.0	NC	1.2	NE	.50	10.8	01-06-86	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	31.00	29.63	30.88	.63	2.07	31.75	20.00	-.23	.01	-5.25	10.39	-.22	-2.61	Q	-100.0	NC	-.3	NE	1.04	3.4	09-09-85	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	10.13	9.75	10.13	.13	1.25	11.75	8.00	.05	-.20	-1.54	-9.63	.62	-.32	N	-48.5	30.0	2.4	29.8	.20	2.0	03-21-86	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	13.63	13.00	13.38	.00	.00	14.75	9.13	-.10	-.20	-1.73	.57	1.03	-.09	N	-8.7	41.0	1.9	14.1	.20	1.5	09-24-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	32.13	27.00	28.13	-2.63	-8.54	32.13	24.00	-.12	-2.70	7.12	56.26	1.88	.10	N	5.5	10.0	2.9	14.6	.72	2.6	08-27-85	1375.8	40.1	2.1	.00	12.23
Medicare Glaser	MGCO	4.50	3.75	3.75	-.25	-6.25	5.75	3.75	-.59	-.41	-5.69	11.11	.05	-.49	N	-100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Medicine Shoppe	MSII	25.00	23.25	25.00	2.75	12.36	26.00	21.00	.11	-.16	4.26	41.89	.84	.16	Q	22.5	49.0	22.4	28.7	.00	.0	00-00-00	13.4	3.0	9.2	.00	5.08
Perry Drug	PDS	17.13	15.13	15.50	-1.38	-8.15	18.75	11.19	-.22	-1.70	2.56	6.84	.98	.14	F	16.7	16.0	1.8	15.8	.19	1.2	09-11-85	521.6	9.6	1.5	1.60	7.07
Revco Drug	RDS	30.38	27.25	29.50	1.88	6.79	30.38	23.13	.02	-.17	4.31	-1.73	1.06	-1.50	S	-65.2	-5.0	1.6	36.9	.80	2.7	08-19-85	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	28.25	26.50	27.88	1.25	4.69	33.50	21.50	.17	.07	-1.80	-28.19	1.69	-.11	N	-6.7	8.0	4.8	18.1	.58	2.1	01-13-86	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	26.75	23.75	26.25	1.75	7.14	26.75	18.13	.03	.89	2.29	6.59	1.60	.19	Q	13.3	16.0	2.3	16.2	.64	2.4	02-04-86	1404.9	31.9	1.7	5.86	6.85
Walgreen Co	WAG	31.13	26.25	29.50	1.75	6.31	31.13	22.50	.25	.88	-3.65	-2.97	1.53	-.39	Q	-23.1	19.0	3.0	22.7	.50	1.7	02-11-86	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																											
Bergen Bruns	BBCA	35.50	32.50	35.50	3.00	9.23	35.50	21.41	.11	.53	.67	-9.27	1.82	.25	Q	15.9	15.0	1.0	19.5	.32	.9	01-28-86	2434.9	24.2	1.7	11.12	12.07
Bindley Wstn	BIND	12.00	10.38	11.63	1.50	14.81	15.00	7.75	.36	-1.00	.08	-26.29	.73	.15	N	23.4	23.0	.8	14.7	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	23.75	20.25	23.75	3.50	17.28	23.75	14.53	.35	-.36	1.65	-17.46	1.01	.46	N	46.5	NC	1.2	16.4	.08	.3	01-02-86	320.0	3.7	1.7	.94	8.85
Durr Fillauer	DUFM	14.13	13.00	14.13	1.38	10.78	15.25	9.25	.07	-.12	4.55	-18.56	.78	.04	F	5.4	13.0	1.4	18.1	.14	1.0	07-01-85	427.1	6.1	2.3	1.21	6.05
Foxmeyer Cp	FXM	34.88	34.50	34.75	.25	.72	34.88	20.75	1.79	-.25	3.72	-6.51	1.56	-.62	N	-29.8	27.0	1.3	23.8	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51
Ketchum	KCH	20.88	19.00	19.38	-1.50	-7.19	23.25	14.06	-.81	.14	-.07	-26.16	.56	.14	S	35.0	NC	.2	35.9	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	57.00	53.38	56.88	3.38	6.31	57.00	39.00	.14	.62	1.01	-15.70	3.60	.38	N	10.9	-1.0	1.3	14.7	2.40	4.2	02-25-86	4887.1	65.0	1.5	12.99	30.40
Moore Med	MMD	23.13	19.13	21.25	1.88	9.68	23.38	9.66	-.18	-1.06	5.33	28.47	1.02	.45	N	47.4	18.0	2.9	15.2	.00	.0	05-23-85	115.4	3.3	3.3	2.45	5.25
Owens & Minor	OBOD	18.13	16.63	16.63	-.63	-3.62	18.38	9.50	-.33	-1.17	5.10	-37.84	1.14	.19	F	20.0	18.0	1.2	14.6	.28	1.7	09-10-85	367.3	4.4	3.0	5.35	8.54
Manufacturer's transactions																											
Abbott Labs	ABT	69.13	66.00	66.63	-1.88	-2.74	72.00	48.38	-.24	-.73	-.37	-10.97	3.88	.54	F	16.2	18.0	13.8	17.2	1.40	2.1	01-09-86	3360.3	465.3	1.9	3.91	13.33
Am Home Prod	AHP	71.75	68.50	69.25	.75	1.09	71.75	54.75	.21	-1.10	-.96	-3.75	4.70	.31	F	7.1	11.0	15.3	14.7	3.10	4.5	02-07-86	4684.7	717.1	3.4	.26	13.74
Baxter Travenol	BAX	18.38	15.25	17.75	2.38	15.45	18.38	12.38	-.17	2.12	2.19	-1.69	.21	-1.06	N	-82.8	-25.0	1.6	80.7	.40	2.3	03-11-86	1800.4	29.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	25.00	22.50	25.00	1.50	6.38	25.00	14.81	.24	.03	-5.15	-1.52	1.70	.22	N	13.6	12.0	10.5	13.6	.50	2.0	02-25-86	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	18.00	15.75	17.50	1.38	8.53	22.63	12.00	-.05	1.70	-.41	27.29	.61	.10	N	17.2	22.0	18.2	25.7	.03	.2	08-06-85	29.1	5.3	7.5	.00	3.70
Bristol-Myers	BMY	68.38	62.63	66.25	2.88	4.54	68.50	53.63	-.02	-.08	-.27	-9.60	3.86	.41	F	11.9	14.0	12.0	17.2	1.88	2.8	12-27-85	4444.0	531.4	2.5	.75	15.63
Carter-Wallace	CAR	55.00	52.00	54.63	2.13	4.05	57.50	31.13	-.25	-.37	-2.50	11.92	2.66	.86	N	32.8	21.0	5.9	15.7	.60	1.1	02-10-86	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	30.38	29.25	30.13	.13	.42	32.50	17.38	-.03	-.43	2.38	-21.22	.73	.40	N	70.2	16.0	17.4	31.1	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	15.63	13.75	14.00	.00	.00	15.63	8.50	.33	-1.23	1.38	-10.51	.00	-.12	N	-85.7	NC	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	13.75	11.75	13.75	.25	1.85	13.75	7.13	.50	1.58	2.18	31.82	.61	-.21	N	-33.9	47.0	14.6	33.5	.00	.0	09-09-85	151.1	22.1	3.4	2.52	1.60
Lilly Eli Co	LLY	57.63	53.88	56.50	1.88	3.43	57.75	37.50	.10	-.75	-2.55	-9.46	3.69	.31	F	9.2	11.0	15.8	15.3	1.80	3.2	02-07-86	3270.6	517.6	1.7	.81	15.52
Lee Pharm	LPH	12.75	11.38	12.75	.50	4.08	12.75	4.63	.93	2.03	-1.49	-7.89	.40	.17	Q	70.8	NC	6.6	31.1	.00	.0	00-00-00	12.2	.8	3.1	.00	2.49
Leiner P Nutri	PLIN	13.50	12.75	13.00	.25	1.96	14.38	8.25	.17	-1.10	-4.53	62.26	.78	-.10	N	-12.5	NC	4.1	18.6	.00	.0	00-00-00	53.6	2.2	2.5	.00	4.90
Marion Labs	MKC	59.75	54.50	57.38	-2.13	-3.57	60.25	26.00	.47	-.27	-.42	-9.72	.94	.42	S	55.3	38.0	12.2	48.6	.36	.6	03-14-86	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	152.50	141.50	151.25	8.75	6.14	152.50	98.25	.09	.47	-.98	11.27	7.58	.87	F	13.0	7.0	15.2	20.0	3.60	2.4	12-03-85	3547.5	539.9	2.0	2.48	35.29
Morton Thiokol	MTI	36.50	32.50	35.88	1.88	5.51	40.50	28.63	-.60	1.52	2.42	16.45	2.50	.37	S	16.0	22.0	6.7	13.4	.70	2.0	02-14-86	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	17.00	15.13	16.75	.25	1.52	26.00	13.50	-.41	.96	2.39	.06	.52	.41	N	100.0	71.0	23.3	20.4	.10	.6	12-27-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	14.38	6.50	7.63	-3.63	-32.22	14.50	5.63	-1.06	-15.23	10.72	46.39	.05	.00	S	NE	NC	6.7	NE	.80	10.5	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	15.25	14.25	14.25	-1.25	-8.06	23.25	11.75	-.88	-1.69	.35	2.25	.47	.00	Q	.0	76.0	14.1	29.7	.00	.0	00-00-00	21.3	3.0	2.2	.92	2.33
Pfizer Inc	PFE	53.25	49.75	52.75	2.88	5.76	56.25	39.63	-.01	-.17	-2.28	-2.77	3.44	.36	F	11.7	16.0	14.4	15.3	1.64	3.1	01-27-86	4024.5	579.7	2.3	2.10	15.45
Reid Prov Labs	REID	10.50	7.50	10.50	4.25	68.00	10.50	4.00	1.66	.39	12.31	61.73	.13	.06	S	46.2	28.0	6.0	55.3	.04	.4	12-06-85	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	13.88	12.88	13.00	-.63	-4.59	23.13	5.50	.06	-1.46	-2.47	-17.97	2.53	20.97	F	NE	NC	8.7	5.1	.00	.0	11-19-84	706.1	61.4	1.7	.47	-5.23
Rorer Group	ROR	34.38	32.50	32.75	-.75	-2.24	47.00	28.63	-.76	-.89	-3.10	26.10	1.72	-.36	F	-17.3	2.0	10.9	19.0	1.12	3.4	02-04-86	338.1	36.8	1.9	2.18	11.07
Scherer RP Co	SCHC	16.38	13.25	13.25	-2.75	-17.19	16.50	9.50	-.43	-.82	2.43	-58.92	-.43	-.96	S	-100.0	NC	-2.0	NE	.32	2.4	12-09-85	167.4	-3.4	1.7	4.07	9.72
Squibb Corp	SQB	84.25	80.25	83.50	2.75	3.41	85.00	52.00	-.24	.37	-3.71	-17.05	4.20	.52	F	14.1	25.0	11.1	19.9	1.76	2.1	02-14-86	2041.7	226.6	2.3	3.74	24.87
Sterling Drug	STY	41.50	39.50	40.00	-1.13	-2.74	41.50	27.75	.06	-1.10	-.30	-21.48	1.83	-.54	F	-22.8	-1.0	6.3	21.9	1.20	3.0	02-12-86	1753.7	109.7	2.6	1.32	15.34
Syntex Corp	SYN	50.13	45.50	49.25	1.00	2.07	50.13	26.94	.32	.69	-.46	4.37	2.33	.55	Q	27.5	15.0	15.8	19.3	1.20	2.4	12-16-85	948.5	150.0	2.1	2.68	9.40
Thompson Med	TM	14.88	13.88	14.25	-.38	-2.56	18.13	11.75	-.33	-.07	.20	-9.85	1.18	-1.02	F	-46.4	10.0	8.1	12.1	.40	2.8	12-23-85	136.8	11.1	4.3	.00	7.09
Upjohn Co	UPJ	150.88	132.88	148.25	15.75	11.89	150.88	75.75	.25	.65	-2.38	-2.35	5.67	.39	N	6.9	1.0	8.0	24.5	3.04	2.1	04-01-86	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	48.50	46.00	47.88	1.63	3.51	49.38	33.75	-.24	-.38	.50	-7.25	2.81	.27	N	9.7	7.0	7.1	15.7	1.56	3.3	02-03-86	3166.7	223.9	1.7	6.47	18.18

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISING TRENDS

'Let's hurry before our parents start parading in the streets!'

Grown-ups gear up for Halloween parade

The expected emphasis on adult Halloween costumes should translate in the upcoming season into higher average tickets and category sales and 10% gross profits increases at drug stores.

Newly introduced costumes by such vendors as Ben Cooper, Topstone, and Fun World will retail at about $7 and will be the core of an emerging category: full adult costumes, accessory kits, and upgraded makeup for teens and adults.

Retailers who lacked space to carry $20 adult costumes that require full-view hanging for effective display can peg these new models, which are blister-packed, with headers and costume pictures.

The adult items, which include accessory lines for mix-and-match costume creations, are expected to raise retail margins beyond those of licensed children's costumes, buyers said.

Gross margins are typically 35% to 50%—and 25% to 30% on promotion—compared with licensed characters every day 35% to 40% margins.

Buyers are also focusing on new hairsprays with glitter and fluorescent properties, and wigs.

In line with the trend toward costume creation by the customer, full and pullover masks have been on the wane, buyers said; half masks are most popular because they show off face makeup.

Licensed items are still strong sellers for children, with key sellers in the past season being characters based on the current popular toys, including Wuzzles, Transformers, Hugabunch, G.I. Joe, He-Man and She-Ra.

Retailers said the adult supplies in some stores will require advertising to be successful, since other retail outlets are featuring the products. As an example, New York's Austin Drugs may have lost sales in adult costumes last year when Sears ran its own major promotion, according to Marty Milman, Austin's head buyer.

In spite of space limitations, Austin is committing to another year of adult accessory packs, with eye patches, false noses and bunny ears.

"More and more adults are going to parties. They're becoming children again," said Milman.

Gobblin' candy no longer just for kids

Halloween isn't just for kids anymore.

Adults who began throwing home parties to protect their kids from real-life ghouls are getting more into parties themselves.

That means they're eating the candy they're buying. For the coming season, that will be major brands such as M&M/Mars, Hersheys and Fleer at less than $2 a pound.

Shoppers want branded quality and value in bagged candies, while they buy to create varied assortments at home.

To Bob Pontes, an Adams Drug buyer, "99¢ is the magic number." He said candy at 99¢ and above sold the best last Halloween—such as Reese's 10-pack at $1.29, and Tootsie Rolls.

Customers are "very price-conscious," but they won't settle for poor quality, he added.

Adams will promote brands again this year, while avoiding premixed assortments that sell below $1.

Buyers are also emphasizing branded products to avoid being caught with unsold seasonal merchandise and packaging after the holiday. "I've eliminated a lot of vendors, and we're staying with the major brands. I won't touch Halloween packaging, because the day after Halloween, you can't sell it," said Kinney buyer Jerry Houghton.

Buyers for the most part expect little or no price increases on bag candy from manufacturers, because vendors have already boosted their revenue by upping the price of single bars 5¢ this year—and because buyers believe price hikes won't wash with the public.

Standard will promote bagged candy in its fifth annual Chocolate Festival promotion, which will be supported by radio advertising for the first time in 1986, plus prize drawings.

Other chains will also fortify ads and promotions to help produce anticipated 8% to 10% sales growth over last year.

Adams, for instance, will launch its Halloween promotion a month earlier, with store displays out by the last week in August, to capture sales from back-to-school traffic, said Pontes.

Candy shipments grow
(in thousands of pounds)

	1984	1983
Chocolate and chocolate-type	2,257,141	2,178,189
Nonchocolate	1,816,169	1,699,921

Source: U.S. Department of Commerce

We're eating more candy
(per capita consumption, in pounds)

1984	18.9
1983	17.9
1982	16.7
1981	16.1
1980	16.1

Source: U.S. Department of Commerce

MERCHANDISING TRENDS

Action figures flex muscles

Buyers at the recent Toy Fair in New York came back with one message: Last year's hot items are being copied at a rate almost too rapid to absorb into the retail pipeline. Action figures, in particular, are proliferating and making buyer selections tough.

Indeed, while toy industry sales grew 8% in 1985 to $12 billion, action figure and robot sales soared 66% to $1.56 billion.

Buyers expect both growth trends to continue in 1986, and manufacturers' offerings reflect this.

Many major manufacturers are offering action figures resembling LJN's Wrestlers and Mattel's Masters of the Universe. Kenner has its Super Powers collection, plus a Chuck Norris Karate Kommando line; Coleco has its Rambo line. New Transformer-like robots that resemble Tonka's GoBots are being supported by television shows and heavy advertising budgets. Kenner has introduced Centurions—figures that the company boasts combine "men and machine into a sophisticated weapon system"—and Hasbro is showing its Inhumanoids.

While most action toys are directed at boys, Mattel's still-popular She-Ra action figures are a notable exception to this trend—as are Matchbox action dolls and Women of Robotech.

A particularly interesting entry, which offers girls a role model, is Hasbro's Jem. She has a dual identity as president of a music company by day and rock star heading a music group by night. This line even features a competing rock group.

For all these changes, however, Affiliated Drug Stores merchandise manager Richard Glassman said, "No doll can compete with Barbie," who today is also portrayed as a rock star and an astronaut.

Equally skeptical, one West Coast drug chain buyer said rising prices and a lack of overall manufacturer originality will prompt him to "turn back to basics with a few exceptions." His exceptions are Snoopy, Charlie Brown and Mother Goose talking plush dolls from Worlds of Wonder.

Glassman said buyers are tending to be more cautious in their selection of licenses. They want licenses that are already established household names, such as Disney, to avoid "dead merchandise" and markdowns, he said.

But those choices are getting tougher. Licenses are multiplying at a rate that would embarrass rabbits and are being backed by expensive advertising campaigns and full-length TV shows.

The hype does hold appeal for some buyers, however, such as Ed Wood of Los Angeles-based A. D. Clark. He said about 50% of his toy line will be licensed toys in 1986.

Wholesale sales of toys
(in millions)

	1985	1984	% Change
Action figures,dolls, accessories	$3,108	$2,466	+26
Infant, preschool	816	739	+10
Nonriding transportation	695	784	−11
Games, puzzles (nonelectronic)	642	1,043	−38
Sports, outdoor toys	457	419	+ 9
Arts, crafts, models	375	391	− 4
Riding toys (excluding bicycles)	283	285	− 1
Role-playing toys	253	269	− 6
Totally electronic games	235	164	+43
Miscellaneous activity toys	290	275	+ 5
Remaining miscellaneous	1,531	1,435	+ 7

Source: Toy Manufacturers of America estimates

Surprising facts

- Parker Brothers is the largest housing developer in the world, having constructed more than 2.88 billion little green houses for its Monopoly game in 50 years.
- Yo-yos outnumber Americans. More than 500 million Duncan yo-yos have been sold in the U.S. since being introduced in 1929.
- The toy industry produces more than 150 million cars annually—nearly 19 times the number sold by domestic car dealers in 1984.
- Since 1982, more than 70 million Masters of the Universe action figures have been sold worldwide.
- There are 3.2 billion possible word combinations that can be made of the basic seven-letter unit in Scrabble.
- The largest manufacturer of women's wear in the world is Mattel. More than 20 million Barbie fashions are sold annually.

Source: Toy Manufacturers of America

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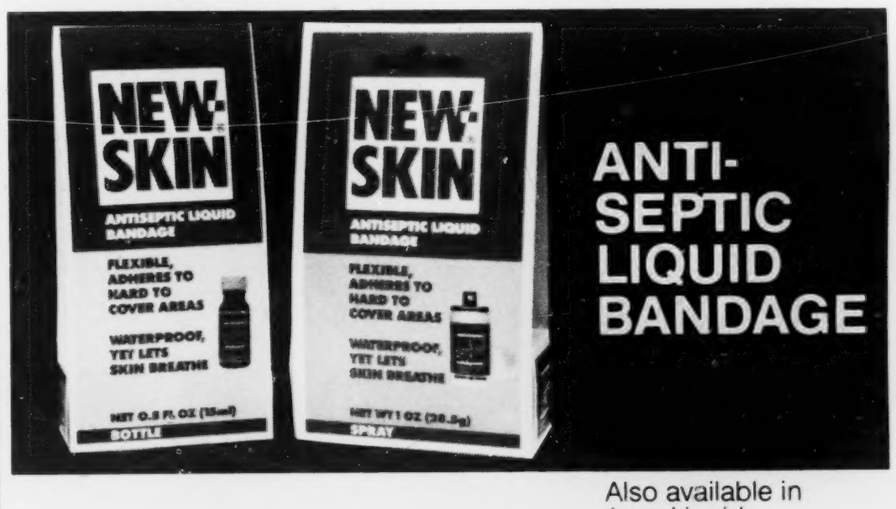

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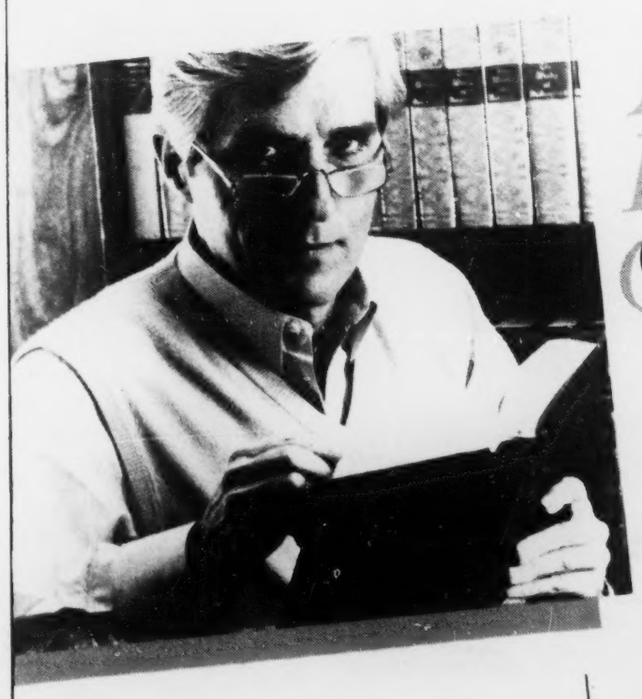

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INSIDE PHARMACY

Top 10 Products in U.S. Pharmacies
($ in millions)

1985 Rank	1984 Rank	Product	Manufacturer	1985	1984	% Change
1	1	**Tagamet**	SK&F	$397.9	$369.9	+ 8
2	2	**Inderal**	Ayerst	371.5	350.8	+ 6
3	12	**Zantac**	Glaxo	290.2	176.3	+65
4	3	**Dyazide**	SK&F	281.9	259.1	+ 9
5	10	**Tenormin**	Stuart	253.1	181.2	+40
6	6	**Feldene**	Pfizer	240.5	207.9	+16
7	5	**Valium**	Roche	234.6	219.5	+ 7
8	4	**Ortho-Novum**	Ortho	233.3	232.9	—*
9	8	**Naprosyn**	Syntex	231.5	200.3	+16
10	9	**Keflex**	Dista	210.7	190.0	+11

Source: Pharmaceutical Data Services *does not include Ortho-Novum 777

PDS data reveal

Script sales up 8% in '85

By Marjorie Shaffer

NEW YORK — On the heels of dramatic price increases, the 1985 retail prescription market bounced up 8% to $14.7 billion (acquisition cost) from $13.6 billion in 1984, according to Pharmaceutical Data Services, a Phoenix, Ariz.-based subsidiary of McKesson Corp.

At a financial analysts' meeting held here last month, PDS executives discussed the state of the retail pharmacy prescription market and offered the latest industry statistics. The statistics were culled from more than 1,100 pharmacies in 38 states, accounting for five million raw scripts per month.

According to PDS, the top-ranked drug in pharmacy sales was Smith Kline & French's Tagamet, registering an 8% increase in 1985 to $397.9 million from $369.9 million in 1984. (All product figures represent acquisition costs to pharmacies.) However, the star performers were Glaxo's Zantac, registering a whopping 65% sales increase to $290.2 million from $176.3 million in 1984. The antiulcer drug ranked as the third-top-selling Rx drug in 1985, up from its No. 12 ranking in 1984, said PDS.

Another stellar performer in 1985 was Stuart's Tenormin, ringing up a hefty 40% sales increase to $253.1 million from $181.2 million in 1984. The beta blocker moved up five notches in 1985 and ranked as the fifth-best-sell-

*See **Script**, page 22*

APhA to debate Rx pricing at annual meeting

WASHINGTON — Proposals for controversial new legislation barring drug manufacturers and wholesalers from setting varying prices for prescription drugs are up for debate by APhA's House of Delegates this month.

Under the new policy recommended by the association's Committee on Public Affairs, APhA should "actively seek enactment of legislation to eliminate manufacturer and distributor differential pricing of prescription drugs."

APhA would also seek separate legislation amending the federal Non-profit Institutions Act to eliminate the current Robinson-Patman anti-price-discrimination law exemption for hospitals, HMOs and other institutions that dispense drugs.

Support for such legislation will be one of 16 proposed APhA policies slated for debate during the association's annual meeting March 16-20 in San Francisco. Among others, APhA delegates will also vote on plans to support state regulation of pharmacy technicians, a broader role for pharmacists in drug postmarketing surveillance efforts, and increased enforcement by the Food and Drug Administration to eliminate counterfeit drugs and other "quack" remedies.

Price discrimination

In explaining the plan for legislation banning discriminatory Rx pricing practices, APhA's public affairs policy committee took special note of

*See **APhA**, page 22*

Buying group seeks to aid independents

SAN FRANCISCO — The red light is flashing for the independent pharmacy.

"Over 1,000 independent pharmacies close their doors every year," Ron Bowie, R. Ph., told a Bergen Brunswig-sponsored seminar on group buying and preferred provider organizations.

Bowie is executive director of Colorado Pharmacy Providers (CPP), a for-profit organization formed five years ago to stop this erosion by enabling independents to compete for third-party business.

The competitive pressure is accelerating, Bowie said, as provider groups sign more national contracts. A good example is AMICARE, the health care insurance arm of AMI (American Medical International), which has signed national contracts with Osco, Walgreens and Eckerd.

"In five or 10 years," Bowie said, "a handful of national HMOs will survive, and they will control the market."

That is why CPP has entered a joint venture with Legend Pharmacy, a New York-based co-op in seven states. Said Bowie, "This is the first step in developing a national network of independent pharmacies."

Even though price seems to be the overriding consideration in third-party contracts, Bowie said there are other important factors: geographic distribution (convenience to members), quality, service, delivery, patient profiles and counseling. "Our 200 pharmacies have it over the chains in geography by two to one," Bowie said. That, he added, helped CPP get a third-party contract even though King Soopers was the lowest bidder.

*See **Buying**, page 26*

There's got to be a better way than capsule pullout

Cohen's Capsules

Harold Cohen, R.Ph.
Pharmaceutical Editor

For the second time in about four years, this country's users of Tylenol were put on notice that the product they were taking could be laced with a deadly poison.

And, once again, much of the reaction from Johnson & Johnson, health professionals and consumers was predictable, with one major difference. This time, J&J announced it would never again produce its products in a capsule-dosage form, an action I believe could have a profound effect on the pharmacy profession.

What bothered me during the entire Tylenol ordeal was that little media attention was given to the behind-the-scenes effort by thousands of pharmacists across the country.

Pharmacists had to field questions from hundreds of anxious customers and take back scores of bottles. As a former retailer, I just want my colleagues to know, your efforts did not go unnoticed by this reporter.

I can appreciate the havoc caused in pharmacies across the country on hearing, once again, that bottles of Tylenol may have been tampered with. Because, you see, I, too, experienced the trauma of facing dozens of customers during the first Tylenol incident in 1982.

I remember dealing with phone calls from worried customers and trying to minimize their fears. I also faced customers demanding a refund for every bottle of Tylenol in their medicine cabinets, and then waited weeks for my reimbursement. And yes, I can even remember hearing from the "out-of-the-woodwork" bunch that always surfaces during crises.

I did all this while trying to fill prescriptions and counsel patients as part of my day-to-day business.

Can you imagine the impact on the profession if other pharmaceutical companies decided to follow J&J's lead and pull off *all* capsules from existing inventories? The very thought of it sends chills up my spine.

While I realize the frustrations J&J experienced during the entire ordeal, I think discontinuing capsules altogether was a bad call.

To me, the announcement that no more capsules would be made because their safety could not be assured is tantamount to saying that any capsule currently on shelves could be the target of a tampering attempt. I think pulling capsules out of a product line is a bit of overkill. Let's face it, somebody who really wants to poison someone will find a way, regardless of whether capsules are on the shelves.

Instead, I think J&J should have thought of some suitable alternatives in presenting its capsules to the consumer. Perhaps a unit dosage form where capsules would have to be punched out. Any tampering would be obvious to the customer.

To me, J&J's decision to pull out of the capsule market because it cannot assure their safety is just too much for me to swallow.

APhA

Continued from page 21

the "newly spotlighted 'drug diversion' activities of many nonprofit hospitals which have been revealed in hearings" held last year by the House Investigations Subcommittee, headed by Rep. John Dingell (D-Mich.).

According to the APhA committee, "These diversion activities not only foster increased discriminatory pricing for pharmaceuticals among community pharmacies; they raise serious questions about the safety and efficacy of drug products that flow into, around and out of the 'diversion market.'"

Cites court case

The proposed policy of seeking a legislative remedy to the price discrimination exemption for hospitals, HMOs and other groups that dispense drugs was triggered by a recent U.S. court decision, *DeModena v. Kaiser Foundation Health Plan*, according to the public affairs committee. The court ruled that "with the exception of dispensing to mere 'walk-in' patients," the Kaiser HMO "exists and operates as a charitable institution within the meaning of the (Nonprofit Institutions) Act."

According to APhA, the precedential ruling that the U.S. Supreme Court declined to review "puts in focus the magnitude of the issue for pharmacy."

"Potentially, the growth of HMOs and other competitive health care systems, with the benefit of nonprofit institution drug product pricing, threatens the very existence of community pharmacy," they said.

'Quack therapy'

Addressing efforts of the FDA and FTC to eliminate "quack therapy," the committee proposed that APhA support efforts to "require the listing of all active ingredients of a food as drug or drug product in written promotional and advertising material." The committee also said that the FDA definition of a quack as anyone who promotes a false or unproven remedy for profit could be applied to pharmacists "who knowingly" sell products known to be "ineffective or of questionable value."

APhA's Scientific Affairs Committee reaffirmed the group's 1982 policy supporting the participation of pharmacists in postmarketing surveillance for approved drugs. Citing a 1985 FDA report that finds pharmacists, like physicians, submit only "sporadic reports" on adverse drug reactions, the committee recommended development "of a strategy to actively pursue a joint program with FDA" to increase the pharmacist's role.

Measuring competence

The policy report of the Educational Affairs Committee recommends that the "supervisory ratio" of pharmacist to pharmacy technician be set by each state Board of Pharmacy. In a separate recommendation, the committee said APhA "should assist states in finding ways to measure [pharmacists'] competence against established standards." A third Education Affairs recommendation supports "voluntary inclusion" of Reye's syndrome warnings on aspirin-containing products.

Other committee recommendations include:

- Involving children in investigations of appropriate safeguards for drug products.
- Enforcing laws on athletes' use of performance-enhancing drugs.
- Developing education programs on risks associated with designer drugs.

Script

Continued from page 21

ing Rx drug last year. It accounted for 38% of the $191 million increase in the beta blocker market.

But perhaps the biggest success story last year was Upjohn's Xanax, up a crackling 85% to $152.4 million from $82.2 million in 1984. It ranked as the 14th best-selling Rx in 1985, up from its 29th ranking in 1984.

Generics available

PDS pointed out that 8 of the top 10 most frequently dispensed Rx drugs are now available as generics, and in the markets where the stakes are high, the generics are gaining.

For example, the total number of scripts for propranolol has risen steadily since August 1985, from zero to over 500,000. In contrast, scripts for Inderal have steadily, albeit slowly, declined from about 2.3 million in July 1985 to under two million by December 1985. And in the ibuprofen market, PDS pointed out, generics have already surpassed Rufen in new prescriptions and are now gaining on the top-selling Motrin in this market.

Shakeouts?

Overall, the $722 million antiulcer market appears to be primed for some interesting developments, said Jon Benson, PDS's president of sales and marketing. He noted that total scripts for SKF's Tagamet were down 6%, while scripts for Zantac were up 41% and for Marion's Carafate, 46%.

In the antiarthritic market, a $1 billion market, generic competition pushed Motrin's market share down 6 share points, and the drug captured only 11% of the market, down from 17% in 1984. And 1985 sales decreased 30% to $119.8 million. Pfizer's Feldene gained 3 share points, capturing 23% of the market and $240.5 million in sales, up 16% over 1984. Naprosyn claimed a 22% share in 1985 on sales of $231.5 million, up 16% over 1984.

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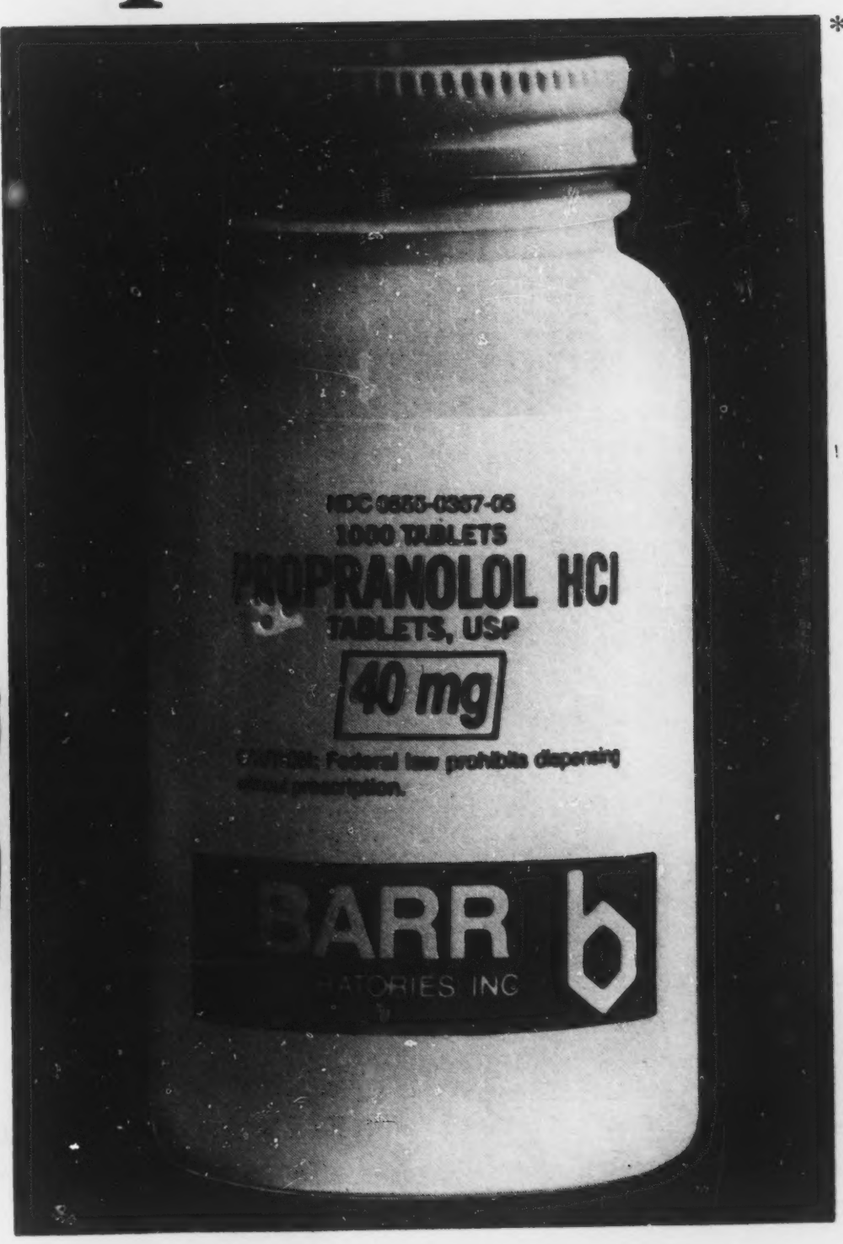

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DRUG STORE NEWS®

Vol. 8/No. 7 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. March 31, 1986

Management group seeks to buy Revco

$1.16B in cash, stock offered for drug chain

TWINSBURG, Ohio — A group of top Revco officers, led by chairman and ceo Sidney Dworkin, has proposed a $1.16 billion leveraged buyout to the Revco Board of Directors.

The investor group, which includes William B. Edwards, president and chief operating officer, and R. Carroll Hudson, executive and chief financial officer, offered $33 per share, plus preferred stock with an estimated value of $3 for 32.3 million shares.

The board created a committee to review the fairness of the offer to stockholders, and a Revco spokesman said that no timetable has been announced for a decision. Shareholders will have to vote on the proposal.

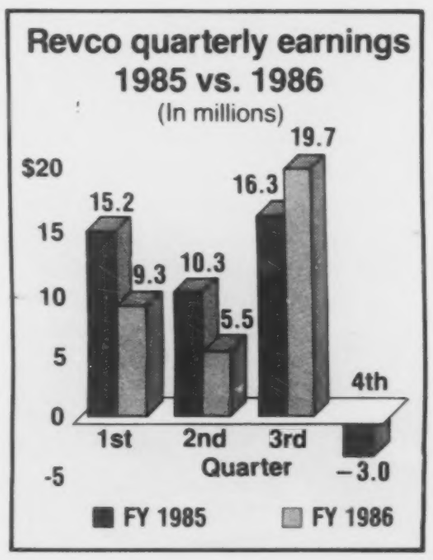
Revco management declined to reveal details of the proposed financing. However, sources said that the Wells Fargo Bank is arranging $600

See **Revco**, page 30

Sidney Dworkin

William B. Edwards

R. Carroll Hudson



Analysts see drive to trim fat, upgrade

By Dave Vaczek

TWINSBURG, Ohio — Revco as a private company will focus on upgrading store operations and merchandising and accelerate a program of closing marginal stores, observers said.

Improving profitability will be the first priority. In the wake of a leveraged buyout (LBO), the industry's largest chain is likely as well to spin off secondary businesses, with the goal of enhancing the bottom line.

But selling businesses won't necessarily be enough to pay for needed store upgrading and for the cost of servicing the $1.4 billion in debt that management will take on.

Drug store cash flow will be the linchpin to operations. Improved fiscal results—which the company announced in the third quarter, with healthy drug store sales gains—are a critical ingredient in the buyout's success, analysts said.

"They'll clean it up, shrink it, but make it more profitable," said Jonathan Zeigler, an analyst with Sutro & Co., a San Francisco brokerage firm.

Industry observers expect to see these changes:

- A stepped-up program of closing marginal stores.
- A more selective approach in new store openings.
- An emphasis on remerchandising stores.
- Fine-tuning of store management, which will include placing less management responsibility on pharmacists.

Some analysts said that Revco is likely to curtail store expansion, but other industry observers said the chain will have to rely as strongly as before on new store growth to

See **Analysts**, page 30

Pay 'n Save renaissance keyed to new prototype

By Lou Karney

SEATTLE — Can Bill Zimmerman's marketing magic restore Pay 'n Save to its former glory?

Late last year Zimmerman, formerly the guiding force of Pic 'n Save, bought half ownership in the 108-store Pay 'n Save Drug. Pic 'n Save operates 95 general merchandise discount stores in seven Western states, 66 of them in California—but none in the Pacific Northwest.

For Pay 'n Save, the rescue mission couldn't have come too soon. The Seattle-based chain, kingpin of drug retail-

News Analysis

ing in Washington as recently as three years ago, has been on a downslide. Per-store sales, which rose from $2 million to $3 million in the 60's and early 70's to $4 million-$5 million in the late 70's, are down.

The outlines of Zimmerman's profit plan are visible in the new prototype at Woodinville, 10 miles east of Seattle. All Pay 'n Save stores will be cast in that mold by this fall.

The prototype features a race track layout, a "stadium" presentation (layered gondolas which radiate from the center of the store for "one-stop" visibility), increased im-

See **Pay 'n Save**, page 30

Artificial nails are hot at Peoples' expo See page 9

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New eye care concept passes test

Eckerd betting on Visionworks

With the opening of its two latest Visionworks stores, Eckerd Corp. now has a total of five medically dispensing "super" eye care stores in operation.

By Liz Parks

CLEARWATER, Fla. — Jack Eckerd Corp., in the midst of trying to complete a leveraged buyout, has just opened two new upscale Visionworks medical eye care department stores and confirmed plans to open at least another six during the year.

The two new stores, which opened last month in the Tampa/St. Petersburg market, now bring the number of Vi-

See related story, page 3

sionworks to five. The openings also end what Eckerd management calls "our initial testing phase of the concept."

Management says the company will now concentrate on penetrating the west coast of Florida, striving in the process to determine "how well we can do in an area when we concentrate four or five stores in a major metro area and support them with a major advertising campaign."

Both Mike Bernstein, the vice president in charge of Eckerd's Optical Division, which consists of about 135 optical dispensing stores as well as the five Visionworks, and

See **Eckerd**, page 30

NEWS IN BRIEF

Rite Aid names Grass exec vp

SHIREMANSTOWN, Pa. — Rite Aid Corp. announced that Martin Grass has been promoted to executive vp.

Grass, 32, joined the company in 1978 as a real estate representative and has been senior vp since 1984.

Fay's net earnings drop

LIVERPOOL, N.Y. — Fay's Drug Co. reported that net earnings for the year ended Jan. 31 fell to $2.8 million, or 20¢ a share, from $8.7 million, or 62¢ a share, the previous year.

Revenues increased to $445 million from $367 million.

The company attributed the earnings slide to increased competitive pressures in its upstate New York markets, which forced a reduction in drug store margins, and to a stepped-up expansion program. Fay's said the 29 new stores, including 20 drug units, "will enhance the long-term profitability of the company."

Genovese sales up, earnings down

MELVILLE, N.Y. — Genovese Drug Stores, which reported higher sales and lower net earnings for the fourth quarter and fiscal year ended Jan. 31, anticipates a rebound in fiscal 1987.

VP-marketing Donald Gross noted year-to-date sales are up 12%, cost containment controls are in place, and the chain's new 155,000-sq.-ft. distribution center (DC) is growing more efficient while enabling Genovese to buy merchandise in larger quantities at lower cost.

Earnings in fiscal 1986 were impacted by start-up costs of the DC, preopening expenses on new stores and competitive pricing in its markets, he added.

Full-year sales at the 77-store chain rose to $233.2 million, up from $220.3 million a year ago. Net income slid to $2.9 million from $4.1 million, despite a $2.7 million gain on the sale of nine stores and a parcel of land.

Fourth quarter sales rose to $61.8 million from $56.8 million a year earlier.

Former Peoples' prez Johnson dies

COS COB, Conn. — Bill Johnson, who served as president of Peoples Drug Stores for five years until his retirement in 1977, died recently at the age of 68.

He served under chairmen Bill Pannill and Bud Fantle, and was the first president to succeed George Burrus, who held the post 25 years. Johnson helped swing Peoples into a new growth period, a chain spokesman said.

Johnson was described as a "thorough, detail-oriented man who knew everyone," the Peoples spokesman said.

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Vol. 8, No. 7 March 31, 1986

Perry targets $1B sales, cultivating its urban turf

PONTIAC, Mich. — Perry Drug Stores is aiming at the $1 billion sales mark for 1990, Perry chairman and ceo Jack Robinson told shareholders at the annual meeting.

With a plan to place less emphasis on diversification and concentrate store expansion within its existing eight-state market, Perry should post 18% annual sales growth and 15% annual store unit growth in its drug stores, auto parts, and health care divisions. Sales should hit $800 million in 1988, Robinson forecasts.

Perry will add 15 drug stores in 1986, compared to eight last year. The growth will occur within Perry's drug store territory of Michigan, Wisconsin, Illinois and Indiana, with aggressive emphasis on developing urban markets—notably Detroit—using a smaller prototype store it began testing last year, according to Mickey Kole, senior vp-store operations and the president of the drug division.

"We're getting lots of sites shown to us by the real estate people in the markets we're in now," said Kole. He added that a key goal is building "a critical mass" of stores within existing markets, allowing economies of scale.

The new prototype units—based on a 10,880-sq.-ft. store introduced last spring in Milwaukee—will include high-margin and high-turn departments identified last year in a continuing review of the merchandise mix, said Kole.

Perry president and ceo Donald Fox said 36% of specialty departments have been eliminated based on their performance store by store.

Departments eliminated in some stores and retained in others include: records, sporting goods, plumbing, marine, live pets, hardware, paint and auto centers, Fox said.

Using high-profit categories, the company will seek to increase sales per square foot in the smaller stores, which will provide site selection flexibility in urban neighborhoods and reduce occupancy costs.

Perry opened its second small prototype in Muskeegan, Mich., March 12. Targeted growth areas include Louisville, Ky.; Indianapolis; Huntington and Charleston, W. Va.; and, in Michigan, Kalamazoo, Lansing, Grand Rapids, Flint, Bay City and Saginaw. The chain finished the year with 192 drug stores, 184 auto parts stores and five health care companies.

Robinson predicted Perry will post sales of $615 million in the 1986 fiscal year ending Oct. 31, up from 1985's $521.6 million, with earnings at least matching 1985's earnings of $9.7 million. He agreed with analysts' projections of 1986 earnings per share of $1.10 to $1.20, compared with 1985's 97¢.

Goal: 1,000 stores by 1990

Med Shoppe aims high

By Marjorie Shaffer

ST. LOUIS — On the heels of its sixth consecutive year of record earnings and growth, Medicine Shoppe, the franchised pharmacy chain based here, has set its sights on 1,000 stores by 1990, nearly double the number of stores currently in operation.

It is a goal that the financial community, which is beginning to take a closer look at the company, believes is within reach.

"That many stores by 1990 is do-able," said David Garino, an analyst who follows the chain for A. G. Edwards & Sons, St. Louis.

In fiscal 1985, Medicine Shoppe opened 88 new stores for a total of 565, and the company had a backlog of 169 signed license agreements. Garino believes the company could have opened more stores in 1985 but, he says, "They have not sacrificed long-term growth at the altar of short-term earnings gain, a healthy attitude."

Indeed, the balance sheet for Medicine Shoppe may well be the envy of some chains. Sales increased 25.7% to $214 million in 1985, and since 1982, franchisees' retail sales have more than doubled. Moreover, earnings from operations were up 31% to $1.036 million, and the company has practically no debt.

But perhaps the most revealing financial data is that the company has as much money in cash and short-term securities now as it had after the public stock offering in December 1983, which netted approximately $11.3 million.

According to Garino, the financial picture for the company can only improve as more of its franchisees' stores mature. Currently, the average Medicine Shoppe is not even five years old; in 1985 only nine stores passed the $1 million annual sales mark and only one exceeded $1.5 million.

The man leading the company into its future and who is largely responsible for much of its growth is Jerome Sheldon, the affable 50-year-old president and ceo of Medicine Shoppe and a former TRW conglomerate lawyer who negotiated the contracts on the descent module that landed on the moon.

See **Shoppe**, page 30

Antidepressants Wellbutrin, Merital withdrawn from market

RESEARCH TRIANGLE PARK, N.C. — It has not been a good year for newly approved antidepressant drugs, a $240 million U.S. market.

Burroughs Wellcome's Wellbutrin, an antidepressant approved Dec. 30, 1985 for use in patients who fail to respond adequately to, or cannot tolerate, alternate antidepressant treatments, has been voluntarily withdrawn from the market. Nearly six million dosage units of the product have already been distributed to drug stores and wholesalers across the country in preparation for the March launch of the drug.

The withdrawal was due to seizures among four of 50 patients with bulimia, an eating disorder for which the drug is not indicated, who were taking Wellbutrin in a clinical study.

In a letter to pharmacists, Burroughs Wellcome repeatedly stressed that the antidepressant is associated with a high risk of seizures "at doses approximately one and one-third times greater than the usually required dose (450 mg)."

Moreover, the labeling of the drug contains a boldface warning against using Wellbutrin in patients with convulsive disorders and the statement that the drug "appears to possess a greater epileptogenic potential than other marketed antidepressants."

B-W had hoped to capture about 20% or $48 million of the antidepressant market with the new antidepressant, according to industry sources.

The withdrawal will remain in effect until the bulimia study is fully analyzed, according to the company.

Earlier in the year another newly approved antidepressant was voluntarily withdrawn from the market. Hoechst-Roussel initiated a worldwide voluntary recall of Merital (nomifensine) because of an unusual number of deaths associated with the drug's use in Great Britain, according to Hubert E. Huckel, chairman of Hoechst-Roussel Pharmaceuticals.

Merital was approved in the United States in December 1984, but the company did not launch it until the summer of 1985. The drug, however, was first approved in Europe in 1976 and was used in 80 countries.

It was pulled because of an "unusual clustering of hemolytic anemia" cases associated with the drug's use in Great Britain, said Roussel.

FINANCIAL

Amfac in the black again

SAN FRANCISCO — The Amfac Co., parent of Amfac Health Care, one of the country's leading drug wholesalers and hospital suppliers, is reporting annual net earnings of $17.9 million, making 1985 the company's first profitable year in two years.

Last year the company lost $14.1 million on total sales of $2.4 billion. This year for the period ended Dec. 31, total sales were up 2% to $2.4 billion.

However, in spite of Amfac's return to profitability after two loss years, chairman Henry A. Walker Jr. said that 1985 results were still adversely affected by losses in Amfac's plumbing and industrial distribution businesses and in its sugar operations.

Walker said the diversified company is now "working hard" to increase profitability in its trouble divisions and to find alternative uses for its agricultural land in Hawaii.

At Amfac, distribution accounts for approximately 55% of total sales.

By the end of the second quarter of 1986, Amfac is hoping to have its Health Care division completely computerized. In a move to improve the profitability of Amfac's distribution business, other distribution entities, including Amfac Supply and Amfac Electric, are also being computerized.

Walker said that 1986 results also reflected lower margins at Amfac Health Care, caused by increased competitive pressures that reduced business in the secondary supply market.

Bindley reports earnings up 11% to $5.2M for '85

INDIANAPOLIS — Bindley Western Industries reported 11% higher sales and earnings for the fiscal year ended Dec. 31, setting company records.

Sales rose to $627 million, up from $567 million a year earlier, while earnings rose to $5.15 million, up from $4.65 million.

Fourth-quarter sales were up 5% to $169 million, as earnings rose 3% to $1.37 million.

Unusual legal expenses related to grand jury investigations and related matters impacted earnings per share by 8¢ for the year and 5¢ for the final quarter.

The wholesaler operates distribution centers in this city, plus Orlando, Houston, Atlanta, Phoenix and Dallas.

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 02/21/86 - 03/10/86							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. rate			Last Fiscal Year			Last Fiscal Year (Per Share)	
					Change		52-Week						Last Fiscal Year					Latest P/E Ratio			Last X-Dvd. Date			Current Ratio	Long Term Debt	Common Stock Equity
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days		Amt.	Pct				Amt.	Yield		Revenue	Earnings			
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	65.75	56.00	58.63	-5.13	-8.04	68.25	48.63	-.41	-2.93	7.46	41.40	5.71	.86	N 19.5	34.0	1.5	11.1	.84	1.4	12-09-85	12118.8	185.5	1.2	37.93	21.40
Begley Co	BGLY	22.50	21.25	21.25	-1.00	-4.49	23.50	15.50	.82	.00	-2.51	66.67	1.26	.50	N 42.7	10.0	1.1	12.7	.72	3.4	01-14-86	66.1	.7	1.7	13.77	18.84
Big B	BIGB	14.63	13.00	13.00	-1.25	-8.77	19.50	13.00	-.83	-2.45	2.49	29.54	.68	.11	N 18.0	19.0	3.0	18.1	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58
Drug Sys	DRGS	4.88	4.13	4.75	.13	2.70	6.13	3.75	-.69	3.90	-.79	-16.25	.35	-1.02	N -100.0	NC	1.2	NE	.50	10.5	01-06-86	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	31.38	30.63	31.25	.50	1.63	31.50	20.00	-.08	.15	-4.64	48.48	-.22	-2.61	Q -100.0	NC	-.3	NE	1.04	3.3	03-03-86	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	11.38	9.88	10.63	.63	6.25	11.38	8.00	.20	-.50	.36	-6.24	.62	-.32	N -48.5	30.0	2.4	31.3	.20	1.9	03-21-86	366.7	8.7	1.8	1.65	4.28
Genovese Drug	GDX	13.88	13.00	13.13	-.25	-1.87	14.50	9.13	-.21	-1.42	1.87	-5.84	1.03	-.09	N -8.7	41.0	1.9	13.8	.20	1.5	12-23-85	220.3	4.1	1.7	2.06	5.73
Longs Drg Strs	LDG	30.63	26.63	27.13	-4.25	-13.55	32.13	24.00	-.62	-1.35	6.14	28.89	1.74	-.14	F -7.4	8.0	2.5	15.6	.72	2.7	02-26-86	1480.8	37.7	2.1	.00	12.23
Medicare Glaser	MGCO	4.50	3.75	3.75	-.75	-16.67	5.50	3.75	-.67	1.26	-7.68	33.33	.05	-.49	N -100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Medicine Shoppe	MSII	25.00	24.75	24.75	-.25	-1.00	26.00	21.00	.27	-.11	-3.53	51.08	.84	.16	Q 22.5	49.0	22.4	28.4	.00	.0	00-00-00	13.4	3.0	9.2	.00	5.08
Perry Drug	PDS	15.88	15.13	15.25	-.25	-1.61	18.75	11.19	-.60	-.56	1.53	4.99	.98	.18	Q 22.2	16.0	1.8	15.4	.22	1.4	02-20-86	521.6	9.6	1.5	1.60	7.07
Revco Drug	RDS	32.38	28.88	32.00	2.88	9.87	32.38	23.13	.33	.50	.87	8.34	1.06	-1.50	S -65.2	-5.0	1.6	40.0	.80	2.5	02-19-86	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	29.38	27.75	29.25	1.25	4.46	31.75	21.50	.29	.44	-1.39	-7.58	1.69	-.11	N -6.7	8.0	4.8	19.0	.58	2.0	01-13-86	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	26.63	25.00	26.00	-.63	-2.35	26.75	18.13	.09	-.05	-2.01	-10.04	1.60	.19	Q 13.3	16.0	2.3	16.0	.64	2.5	02-04-86	1404.9	31.9	1.7	5.86	6.85
Walgreen Co	WAG	32.25	29.38	31.88	1.25	4.08	32.25	22.50	.44	.95	-1.58	8.62	1.53	-.39	Q -23.1	19.0	3.0	24.5	.50	1.6	02-11-86	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																										
Bergen Bruns	BBCA	36.00	34.63	36.00	.63	1.77	36.00	21.41	.20	.67	-2.85	7.92	1.82	.25	Q 15.9	15.0	1.0	19.8	.32	.9	01-28-86	2434.9	24.2	1.7	11.12	12.07
Bindley Wstn	BIND	11.75	10.88	11.75	.13	1.08	15.00	7.75	.35	1.99	1.85	24.01	.73	.15	N 23.4	23.0	.8	14.9	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46
Cardinal Distrb	CDIC	22.50	21.59	22.13	.75	3.51	22.50	13.22	.67	-.12	.07	38.80	.92	.42	N 46.7	NC	1.2	16.8	.08	.4	03-25-86	320.0	3.7	1.7	.85	8.04
Durr Fillauer	DUFM	15.25	14.13	14.50	.38	2.65	15.25	9.25	.47	-.59	1.24	-36.36	.78	.04	F 5.4	13.0	1.4	18.6	.15	1.0	02-24-86	427.1	6.1	2.3	1.21	6.05
Foxmeyer Cp	FXM	34.88	34.75	34.88	.13	.36	34.88	20.75	1.08	.00	-6.42	-66.75	1.56	-.62	N -29.8	27.0	1.3	23.9	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51
Ketchum	KCH	23.00	19.38	21.75	1.75	8.75	23.25	14.06	-.14	-1.14	6.45	-17.85	.56	-.01	N -2.2	NC	.2	49.4	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	57.00	53.75	54.75	-1.50	-2.67	57.00	42.00	-.01	.13	-.03	-10.79	3.60	.38	N 10.9	-1.0	1.3	14.1	2.40	4.4	02-25-86	4887.1	65.0	1.5	12.99	30.40
Moore Med	MMD	22.75	20.25	22.50	1.50	7.14	23.38	12.31	.24	-.08	2.75	-1.82	1.02	.45	N 47.4	18.0	2.9	16.1	.00	.0	05-23-85	115.4	3.3	3.3	2.45	5.25
Owens & Minor	OBOD	18.25	16.63	18.25	1.38	8.15	18.38	9.66	-.26	1.11	1.68	26.12	1.14	.19	F 20.0	18.0	1.2	16.0	.28	1.5	12-10-85	367.3	4.4	3.0	5.35	8.54
Manufacturer's transactions																										
Abbott Labs	ABT	74.38	66.13	74.00	7.00	10.45	74.38	49.00	.01	.78	.04	6.64	3.88	.54	F 16.2	18.0	13.8	19.1	1.40	1.9	01-09-86	3360.3	465.3	1.9	3.91	13.33
Am Home Prod	AHP	75.50	68.88	75.38	5.25	7.49	75.50	54.75	.07	1.96	-1.36	16.22	4.70	.31	F 7.1	11.0	15.3	16.0	3.10	4.1	02-07-86	4684.7	717.1	3.4	.26	13.74
Baxter Travenol	BAX	18.00	16.88	17.88	.25	1.42	18.38	12.38	.27	.84	.41	19.49	.85	.64	F 304.8	-14.0	5.8	21.0	.40	2.2	03-11-86	2355.0	137.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	26.25	24.75	25.00	.50	2.04	26.25	14.81	.28	.20	-1.74	49.42	1.70	.22	N 13.6	12.0	10.5	13.6	.50	2.0	02-25-86	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	20.50	16.88	20.25	3.25	19.12	22.63	12.00	.67	1.52	1.82	18.43	.61	.10	N 17.2	22.0	18.2	29.8	.05	.2	02-24-86	29.1	5.3	7.5	.00	3.70
Bristol-Myers	BMY	72.50	65.38	72.38	5.00	7.42	72.50	53.63	.26	1.01	-1.14	-6.96	3.86	.41	F 11.9	14.0	12.0	18.8	2.20	3.0	03-31-86	4444.0	531.4	2.5	.75	15.63
Carter-Wallace	CAR	59.38	53.63	59.00	4.13	7.52	59.38	31.13	-.15	.67	-3.00	5.95	2.66	.86	N 32.8	21.0	5.9	17.0	.60	1.0	02-10-86	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	33.88	29.63	33.38	3.38	11.25	33.88	17.38	.05	1.99	7.02	9.06	.73	.40	N 70.2	16.0	17.4	34.4	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	14.63	12.75	13.88	-.75	-5.13	15.63	8.50	-.11	-1.28	-3.58	-25.99	.00	-.12	N -85.7	NC	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50
Key Pharm	KPH	16.25	12.63	16.13	3.50	27.72	16.25	7.13	1.07	.81	6.97	-4.22	-.02	-.63	F -100.0	NC	-.5	NE	.00	.0	09-09-85	152.1	-.8	3.4	2.52	1.60
Lilly Eli Co	LLY	60.25	55.63	57.00	.50	.89	60.25	37.50	.03	-.22	.60	-18.75	3.69	.31	F 9.2	11.0	15.8	15.4	1.80	3.2	02-07-86	3270.6	517.6	1.7	.81	15.52
Lee Pharm	LPH	17.38	12.25	17.13	4.63	37.00	17.38	4.63	1.14	3.97	-.63	1.62	.40	.17	Q 70.8	NC	6.6	41.8	.00	.0	00-00-00	12.2	.8	3.1	.00	2.49
Leiner P Nutri	PLIN	13.50	12.75	12.75	-.25	-1.92	14.25	8.25	.00	-.16	-3.41	-34.48	.78	-.10	N -12.5	NC	4.1	18.2	.00	.0	00-00-00	53.6	2.2	2.5	.00	4.90
Marion Labs	MKC	60.00	54.63	59.88	2.00	3.46	60.25	26.50	-.08	.83	1.90	-32.08	.94	.42	S 55.3	38.0	12.2	50.7	.36	.6	03-14-86	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	155.00	146.25	150.88	-1.63	-1.07	155.00	98.25	.12	.58	-.38	-5.24	7.58	.87	F 13.0	7.0	15.2	19.9	3.60	2.4	02-27-86	3547.5	539.9	2.0	2.48	35.29
Morton Thiokol	MTI	36.50	33.88	35.25	-.13	-.35	40.50	28.63	.02	1.08	-5.71	4.70	2.50	.37	S 16.0	22.0	6.7	13.2	.70	2.0	02-14-86	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	18.00	16.25	18.00	1.00	5.88	26.00	13.50	-.16	1.57	1.04	9.21	.52	.41	N 100.0	71.0	23.3	22.0	.10	.6	12-27-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	8.88	7.63	8.38	1.88	28.85	14.50	5.75	-1.91	.32	3.14	-14.25	.05	-.08	N -100.0	NC	6.7	NE	.80	9.6	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	16.75	14.25	16.75	2.00	13.56	23.25	11.75	-.17	.28	1.78	-8.85	.47	.00	Q .0	76.0	14.1	34.9	.00	.0	00-00-00	21.3	3.0	2.2	.92	2.33
Pfizer Inc	PFE	56.13	51.13	55.25	3.13	6.00	56.25	39.63	.20	.60	-1.02	-2.21	3.44	.36	F 11.7	16.0	14.4	16.1	1.64	3.0	01-27-86	4024.5	579.7	2.3	2.10	15.45
Reid Prov Labs	REID	10.75	10.50	10.63	1.88	21.43	10.75	4.00	2.32	.00	3.72	-3.75	.13	.06	S 46.2	28.0	6.0	55.9	.04	.4	12-06-85	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	15.63	12.88	15.38	1.75	12.84	23.13	5.50	-.11	.31	1.03	3.80	2.53	20.97	F NE	NC	8.7	6.1	.00	.0	11-19-84	706.1	61.4	1.7	.47	-5.23
Rorer Group	ROR	37.00	32.75	35.88	2.63	7.89	47.00	28.63	-.20	.03	2.14	-45.15	1.72	-.36	F -17.3	2.0	10.9	20.9	1.12	3.1	02-04-86	338.1	36.8	1.9	2.18	11.07
Scherer RP Co	SCHC	13.25	11.63	11.63	-1.88	-13.89	16.50	9.75	-1.48	-2.13	-5.22	6.58	-.43	-.96	N NE	NC	-2.0	NE	.32	2.8	03-07-86	167.4	-3.4	1.7	4.07	9.72
Squibb Corp	SQB	92.50	83.13	91.00	7.00	8.33	92.50	52.00	.16	1.00	-1.78	.81	4.20	.52	F 14.1	25.0	11.1	21.7	1.76	1.9	02-14-86	2041.7	226.6	2.3	3.74	24.87
Sterling Drug	STY	42.88	39.25	42.63	2.25	5.57	42.88	28.88	-.08	1.68	-.77	-5.47	1.83	-.54	F -22.8	-1.0	6.3	23.3	1.20	2.8	02-12-86	1753.7	109.7	2.6	1.32	15.34
Syntex Corp	SYN	52.75	47.88	52.63	4.50	9.35	52.75	27.69	.24	.63	1.33	-10.83	2.33	.79	S 39.3	14.0	15.8	18.8	1.20	2.3	12-16-85	948.5	150.0	2.1	2.68	9.40
Thompson Med	TM	15.25	14.00	14.88	.88	6.25	16.50	11.75	-.20	.16	-2.23	-8.98	1.18	-1.02	F -46.4	10.0	8.1	12.6	.40	2.7	12-23-85	136.8	11.1	4.3	.00	7.09
Upjohn Co	UPJ	153.00	146.63	150.00	-.75	-.50	153.00	76.75	.34	.12	-1.31	18.94	5.67	.39	N 6.9	1.0	8.0	24.8	3.04	2.0	04-01-86	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	52.63	47.50	52.38	4.63	9.69	52.63	33.75	.12	.62	1.29	.12	-4.05	-6.86	F -100.0	NC	-9.9	NE	1.56	3.0	02-03-86	3200.1	-315.6	1.7	6.47	18.18

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

Regulates cigarette pricing

N.Y. snuffs out low-balling

Major drug chains were the winners when New York became the latest state to adopt a fair trade law, setting floors at which cigarettes must be priced for wholesale and retail sales.

Chains are getting more cigarette sales and higher gross dollars as a result of the state's six-month-old Cigarette Marketing Standards Act, which prevents retailers from low-balling smokes below their cost.

"The major chains' volume has increased slightly in a declining market, whereas the smaller drug stores have experienced declining sales," said David Schneidman, president of Valley Stream Distributors, a Long Island wholesaler and distributor that serves 1,200 to 1,400 customers a week, including Genovese and Austin Drugs, and Walgreens' New York stores.

Schneidman said larger chains were being victimized by low-balling activities among independents, who were selling below cost in some cases.

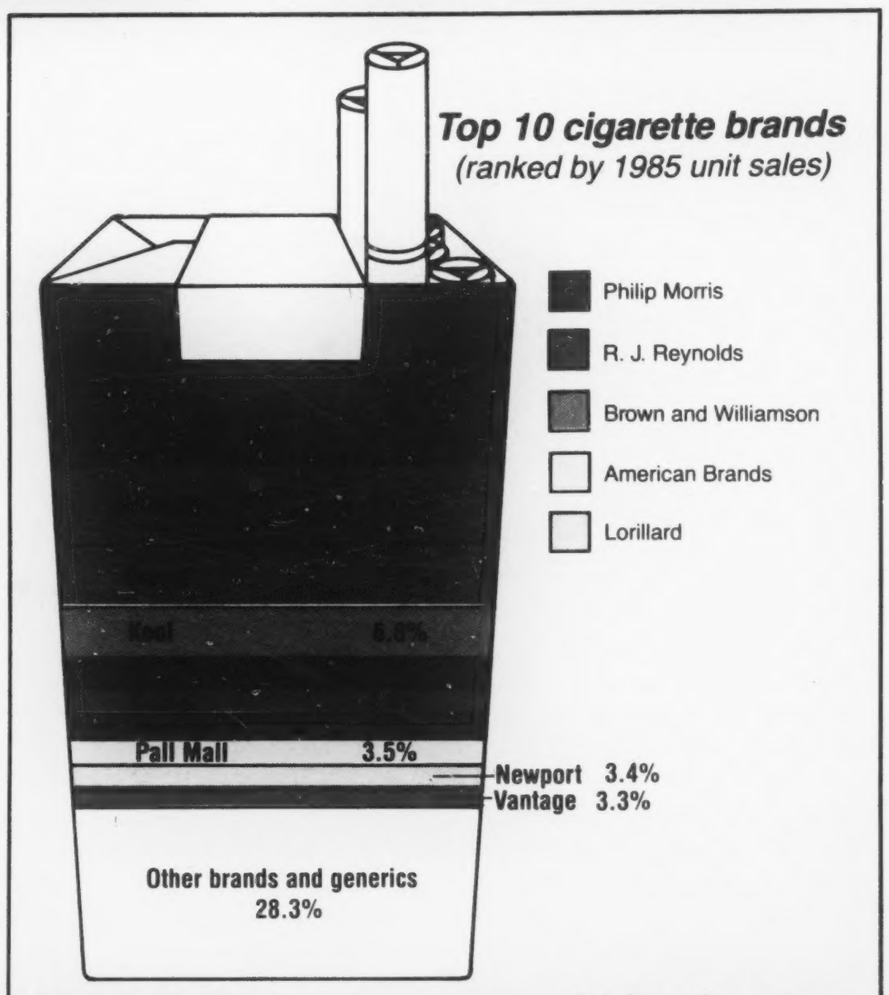
While chains such as Genovese had been cutting prices back in some markets to compete, their overall gross margins and price points were higher than those of the "Mom and Pop" independents, and sales suffered as a result, said Genovese buyer Lenny Genovese.

Genovese cigarette sales picked up 30% since the law was passed.

New York became the 28th state to create a law regulating cigarette pricing. The so-called "sales-below-cost" laws do not fix prices.

New York's law, for example, requires wholesalers to add a 4½% markup to their basic cost (purchase price plus taxes). The retailer, in turn, must mark it up an additional 5%, said Schneidman.

He said some local independents were selling cartons at 10¢ to 12¢ gross profit.



Source: John C. Maxwell Jr., tobacco analyst, Furman, Selz, Mager, Dietz and Birney.

Disposable lighter sales up 5%

Nudged by retailer and vendor promotions, consumers are making the disposable lighter category a bright spot.

While unit tobacco sales continued to slide, the disposable lighter market grew about 5%, with 480 million units sold in 1985.

Market leaders Bic and Scripto were the main recipients of the increased business, which vendors attributed to smokers converting from their use of matches. Bic, experiencing growing demand for its Mini-Bic, saw its market share increase from 55% in 1984 to 58%. Scripto's four-model line allowed that company to boost its share to 30%, from 20% two years ago, Scripto said. Cricket accounts for much of the remaining share.

Bic sales increased at Begley Drug, with strong demand for its conventional lighter—notably in the 2-pack version—undiminished by growing popularity of the Mini-Bic, which customers want because "it's smaller in the pocket," said Begley buyer Ralph Kinder.

Building off the success of Bic's 4-pack offered by the vendor last year with a $1 rebate, Begley this year will promote Bic's new 5-pack of conventional-sized lighters.

Although customers responded well to the 2-pack offer with candy mints that Cricket provided in 1985, Kinder said he is holding back on a commitment to the line this year, waiting to see what the Universal Match Company will do after it takes over all phases of the Cricket business in July, following its purchase of Cricket from Gillette this year.

In Scripto products, Begley will pick up for a second year the Ultra Lite, being offered this year at $1 retail, with a $1 rebate.

DPP

(Continued from page 16)

convinced about the category's future.

Fay's is drastically cutting back its exposure by reducing its sku's from 150 to 100. It will bring cartons behind the counter because of a problem with shrinkage, eliminating self-service displays.

A Fay's spokesman said that as a result of the flat market, the company is taking pack displays off checkout lanes, where they will be replaced with higher-grossing items, and consolidating cigarettes into endcaps.

Demand slid in '85

Indeed, cigarette demand continued to slide in 1985, with wholesale unit sales at 595.51 billion, down 0.5% from 1984's 600.23 billion. Retail consumer sales were down about 1% from 1984, according to tobacco analyst John Maxwell Jr.

While they are more concerned about what they ingest, consumers are also less willing to pay for the pleasure, after the industry levied two more price hikes in 1985. Many vendors upped the price of 1,000 cigarettes by $1 in June and $1 again in December.

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DRUG STORE NEWS®

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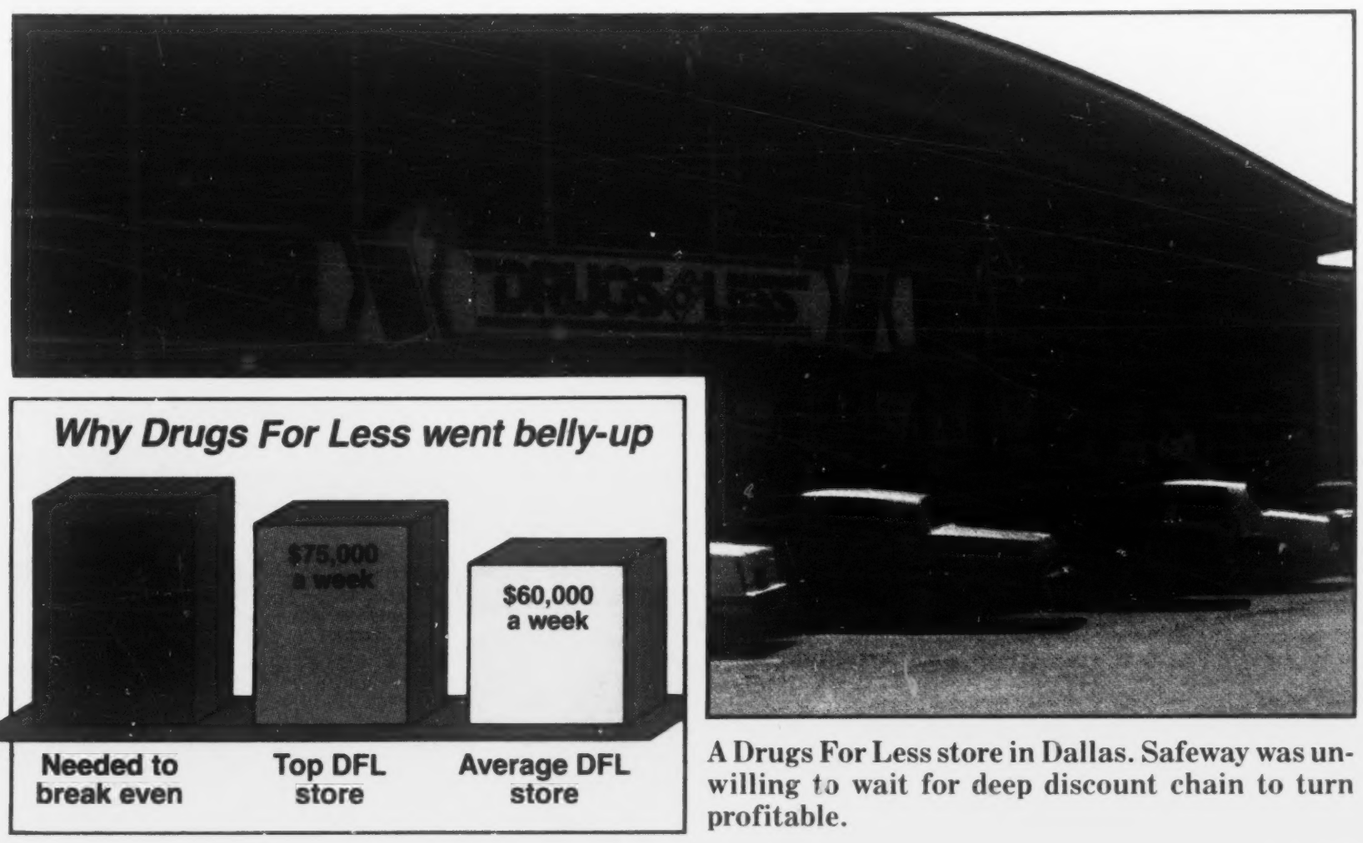


A Drugs For Less store in Dallas. Safeway was unwilling to wait for deep discount chain to turn profitable.

Safeway throws in towel
Drugs For Less closing

By Lou Karney

OAKLAND, Calif. — After three years, Safeway is closing its Drugs For Less (DFL) deep discount drug stores because of losses "in several multiples of seven figures," according to a DFL exec.

He added that sales per store averaged $60,000 a week and verified that the Duncanville, Tex., unit (south Dallas) was the top volume producer at $75,000. Break-even, he said, was $85,000.

All 13 locations were Safeway food stores. Most were 25,000-30,000 sq. ft., with favorable leases.

Daniel Feurer, general manager and coo of DFL, told *Drug Store News* that "it takes a food store a year or less to become profitable, while a drug store requires a minimum of two-three years. In the case of DFL, it would have taken another one and one-half years to make all stores profitable, but Safeway indicated that was not in line with their return-on-investment goals."

At presstime, seven of the 13 stores had closed, four in Houston and one each in Dallas, Austin and Oklahoma City. The remaining six are in various stages of negotiation and remain open to reduce inventory.

Feurer said that "three or four of the grocery stores had been closed for several years. When that happens, it is difficult to start a new venture at the location because of the loser image. Another type store in an abandoned grocery outlet does not always prove to be best because there are reasons why the original retailer left."

See **Drugs,** page 36

New discounter takes on Chicago

1st two Jerry's set to open

By Dave Vaczek

CHICAGO — A former top manager with Gray Drug Fair is unleashing a major drive on the Chicago market with a new deep discount store chain.

The venture—under the name Jerry's Deep Discount—should unveil its first two stores this month, with as many as six more projected by year's end in the greater metro market.

Sources see Jerry's as a double threat in both food and drug in the intensely competitive market. Besides tangling with F&M Distributors, the major deep discount drug presence, Jerry's could butt heads with Perry Drugs' conventional stores. Many of the Perry stores are adjacent to vacant Eagle Food Centers, in which Jerry's is planning to set up shop. Walgreens and Osco are other strong players.

The project's stage manager and top officer is Jerry Gaddis, a former merchandising manager with Gray Drug when Fred Barney was president. Gaddis went on to develop the first Jax deep discount stores under Barney. Both then moved to Medicare Glaser, where Gaddis worked on opening Meg's, that chains' first deep discount experiment.

Gaddis kept a tight lid on his plans for the chain, pending a formal announcement later this spring.

Jerry's is opening its stores in former Eagle Food stores now owned by Dominick's Finer Food Inc. Dominick's will lease as many as eight of the stores to Gaddis for renovation as

See **Chicago,** page 36

Rock Bottom plans 10 new units

PORT WASHINGTON, N.Y. — Rock Bottom Stores, a deep discounting powerhouse in the New York metro market, plans to step up its expansion efforts over the next two years.

Richard Otto, president of the 25-store chain, said the company will open 10 new stores in 1986 and 1987, all of them within a 50-mile range of its 300,000-sq.-ft. distribution center in Brentwood, N.Y. The stores range up to 30,000 sq. ft. in size.

Industry observers estimate that the chain generates $125 million in annual sales and has an almost 7% share of the New York-Long Island drug store market. Rock Bottom's major competitors are Genovese and Pathmark, but there are a host of other drug, food and discount retailers struggling for a share of the nation's second largest retail drug market.

See **Rock,** page 36

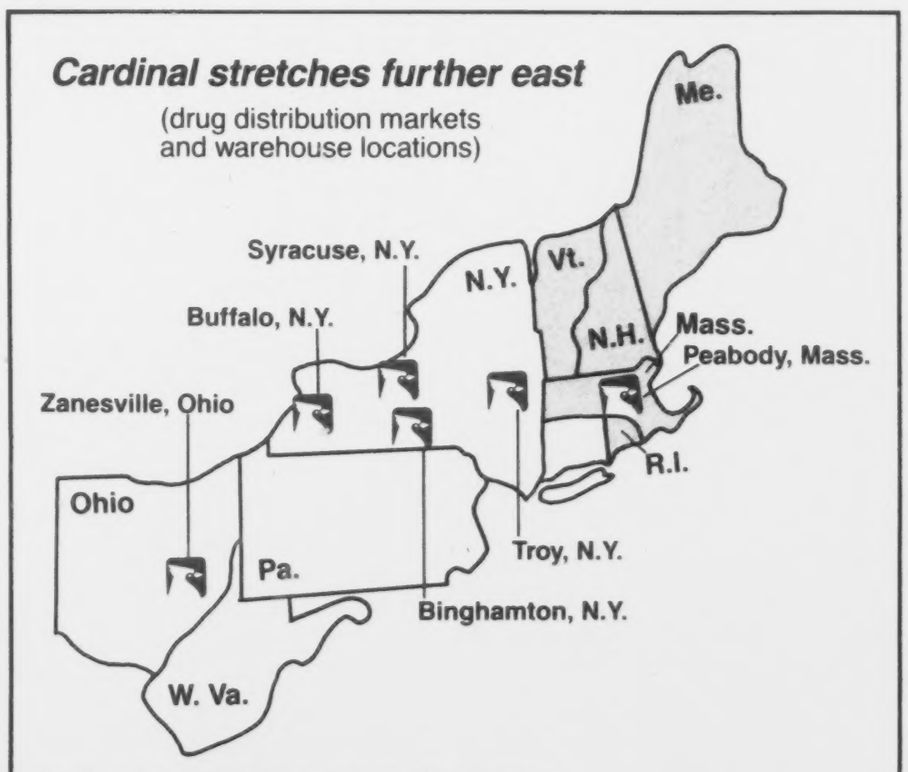
Cardinal forges link to Northeast

By Al Heller

DUBLIN, Ohio — Cardinal Distribution is establishing a strong drug wholesaling corridor from Ohio to the Northeast, with acquisitions that raise its annual drug distribution revenues to approximately $360 million.

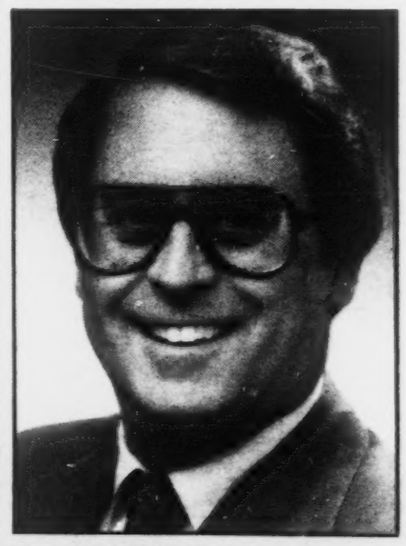
Its definitive agreement to buy James W. Daly, signed last month, is the latest in a series of takeovers that defines

See **Cardinal,** page 36



Cardinal distributes drugs in parts of all these states.
Shaded area reflects James W. Daly acquisition. Source: Cardinal Distribution

Exec named



Ron Schiff, 47, has been appointed president and coo of Pay Less NW, according to former president Ed Hart, 61, who will remain chairman of the board and ceo.

Drug store industry alert: Congress is back See page 4

New packaging, dosage forms planned after tampering See page 3

FINANCIAL

Bergen scales new heights

ORANGE, Calif. — Bergen Brunswig Corp. announced record earnings and sales for the second qaurter and first half ended Feb. 28.

Net earnings for the first six months climbed 12% to $12.6 million, or 94¢ a share, from $11.3 million, or 85¢ a share for the comparable period last year.

Net sales and other revenues increased 39% to $1.5 billion from $1.1 billion in fiscal 1985. Fully diluted earnings per share for the six-month period increased to 88¢, vs. 85¢, on 31% more shares.

In the second quarter, net sales rose from $594 million in the 1985 period by 27%, to $752 million. Earnings climbed 9% from $5.9 million or 44¢ a share, to $6.4 million or 48¢ a share.

Emil P. Martini Jr., chairman and ceo, said that in a period of consolidation of recent acquisitions, the drug store company ran ahead of target in sales and income, and additional improvements in margins are expected.

While the medical supply company reported a sales increase of 14%, operating income remained flat due to increased expense levels and competitive pressures that slowed planned consolidation, Martini said.

Interest expenses for the quarter were up over 200%.

Eckerd earnings off in 2nd

CLEARWATER, Fla. — Jack Eckerd Corp. announced a 34.6% decline in earnings in the second quarter, with profits dropping from $36.6% or 97¢ a share in 1985, to $24 million, or 66¢ per share.

Sales were $744.2 million, up 2% from $728.5 million last year.

Six-month sales were $1.314 billion.

K mart is 'optimistic' over Pay Less' future

TROY, Mich. — K mart Corp., owner of Pay Less Drugs, reported fourth-quarter earnings up 23.4% over the prior year, from $201.2 million to $248.3 million. Sales at $6.75 billion were down 1.8% from $6.88 billion, affected by a fourth quarter that was 13 weeks, compared with last year's 14-week quarter.

Bernard M. Fauber, chairman, said K mart is optimistic about future contributions to sales and earnings from the Pay Less chain and other recent acquisitions, including Waldenbooks and Builder's Square, the home improvement center chain.

Adjusting for a fourth-quarter pre-tax LIFO charge of $23 million and 1984's comparable period LIFO credit of $58.6 million, the fourth-quarter earnings increase was 53.8%, the company said.

Full year sales rose 6.3% from 1984's 53-week $21.10 billion, to $22.42 billion in the 52-week 1985 fiscal year. Earnings were $471.2 million, or $3.63 a share.

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 03/07/86 - 03/24/86							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)	
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	61.50	58.00	60.25	2.00	3.43	68.25	48.63	-.38	-.34	2.75	8.29	4.11	-1.60 F	-28.0	30.0	1.1	14.7	.84	1.4	03-24-86	13889.5	154.5	1.2	37.93	21.40
Begley Co	BGLY	22.50	21.25	21.75	.50	2.35	23.50	15.50	-.20	.71	-7.27	50.00	1.26	.50 N	42.7	10.0	1.1	13.0	.72	3.3	01-14-86	66.1	.7	1.7	13.77	18.84
Big B	BIGB	14.13	12.63	13.88	.25	1.83	19.50	12.63	-.59	-.65	1.08	-25.66	.61	-.07 F	-10.3	21.0	2.3	22.7	.00	.0	09-21-83	175.4	4.0	2.3	1.20	4.58
Drug Sys	DRGS	5.00	4.75	4.75	.00	.00	6.13	3.75	-.01	.00	3.29	55.56	.35	-1.02 N	-100.0	NC	1.2	NE	.50	10.5	01-06-86	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	31.50	31.13	31.50	.25	.80	31.50	20.00	.07	.00	-.09	-21.42	-.22	-3.13 S	-100.0	NC	-.3	NE	1.04	3.3	03-03-86	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	11.75	9.88	10.63	-.13	-1.16	11.75	8.00	.35	-1.32	4.19	-8.65	.20	-.42 F	-67.7	21.0	.6	53.1	.20	1.9	03-21-86	445.1	2.8	1.8	1.65	4.28
Genovese Drug	GDX	14.13	13.00	13.25	.25	1.92	14.38	9.13	.03	-.02	.00	-54.17	.73	-.30 F	-29.1	39.0	1.2	18.2	.20	1.5	12-23-85	233.2	2.9	1.7	2.06	5.73
Longs Drg Strs	LDG	30.38	26.63	30.00	2.50	9.09	32.13	24.00	-.41	1.30	1.75	-13.12	1.74	-.14 F	-7.4	8.0	2.5	17.2	.72	2.4	02-26-86	1480.8	37.7	2.1	.00	12.23
Medicare Glaser	MGCO	4.50	3.75	4.25	.00	.00	5.25	3.75	.05	1.22	13.13	8.23	.05	-.49 N	-100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Medicine Shoppe	MSII	25.00	24.75	25.00	.25	1.01	26.00	21.00	.05	.00	-4.61	-9.97	.84	.16 Q	22.5	49.0	22.4	28.7	.00	.0	00-00-00	13.4	3.0	9.2	.00	5.08
Perry Drug	PDS	16.75	15.13	16.50	1.13	7.32	18.75	11.19	-.12	.39	1.76	-9.42	.98	.18 Q	22.2	16.0	1.8	16.7	.22	1.3	02-20-86	521.6	9.6	1.5	1.60	7.07
Revco Drug	RDS	35.25	30.75	34.50	3.88	12.65	35.25	23.13	.61	1.18	2.12	-3.77	1.06	-1.01 N	-51.3	-6.0	1.6	35.9	.80	2.3	02-19-86	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	32.25	28.38	30.88	2.13	7.39	32.25	21.50	.51	-.48	-.84	-17.67	1.69	-.11 N	-6.7	8.0	4.8	20.0	.58	1.9	01-13-86	1445.7	69.9	1.9	2.02	8.58
Thrifty Cp	TFD	29.88	25.63	27.75	2.13	8.29	29.88	18.13	.35	.72	.90	-10.72	1.60	.19 Q	13.3	16.0	2.3	17.1	.64	2.3	02-04-86	1404.9	31.9	1.7	5.86	6.85
Walgreen Co	WAG	34.75	31.13	33.13	1.75	5.58	34.75	22.50	.73	.11	-2.50	23.60	1.53	-.39 Q	-23.1	19.0	3.0	25.5	.50	1.5	02-11-86	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																										
Bergen Bruns	BBCA	37.25	32.88	33.00	-2.88	-8.01	37.25	22.50	.04	-.99	1.97	1.91	1.82	.06 S	3.6	13.0	1.0	19.0	.32	1.0	01-28-86	2434.9	24.2	1.7	11.12	12.07
Bindley Wstn	BIND	12.00	11.50	11.63	.13	1.09	15.00	7.75	.11	.22	-1.16	5.22	.79	.06 F	8.2	23.0	.8	14.7	.00	.0	05-01-85	626.9	5.2	1.4	.08	5.46
Cardinal Distrb	CDIC	25.25	22.00	24.75	2.50	11.24	25.25	14.22	.60	2.70	-3.18	-19.00	.92	.42 N	46.7	NC	1.2	18.8	.08	.3	03-25-86	320.0	3.7	1.7	.85	8.04
Durr Fillauer	DUFM	15.13	14.50	14.75	.13	.85	15.25	9.25	.33	-.47	-2.73	27.83	.78	.04 F	5.4	13.0	1.4	18.9	.15	1.0	02-24-86	427.1	6.1	2.3	1.21	6.05
Ketchum	KCH	22.75	19.50	19.50	-3.13	-13.81	23.25	14.06	.09	-.87	.36	-21.54	.56	-.01 N	-2.2	NC	.2	44.3	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	59.38	53.75	59.00	4.25	7.76	59.38	42.00	.06	1.05	2.05	-3.63	3.60	.38 N	10.9	-1.0	1.3	15.2	2.40	4.1	02-25-86	4887.1	65.0	1.5	12.99	30.40
Moore Med	MMD	24.25	21.00	21.88	.00	.00	24.25	12.31	.19	-1.06	4.48	28.56	1.45	.43 F	42.2	17.0	2.5	15.1	.00	.0	05-23-85	147.9	3.7	3.3	2.45	5.25
Owens & Minor	OBOD	19.88	18.25	19.13	1.38	7.75	19.88	9.84	.43	-.40	-2.59	-7.96	1.14	.19 F	20.0	18.0	1.2	16.8	.28	1.5	12-10-85	367.3	4.4	3.0	5.35	8.54
Manufacturer's transactions																										
Abbott Labs	ABT	81.50	73.63	81.50	7.25	9.76	81.50	49.50	.68	.16	-.14	3.64	3.88	.54 F	16.2	18.0	13.8	21.0	1.68	2.1	04-09-86	3360.3	465.3	2.1	3.70	15.64
Am Home Prod	AHP	80.00	74.13	77.00	2.75	3.70	80.00	54.75	.36	.45	.82	-.40	4.70	.31 F	7.1	11.0	15.3	16.4	3.10	4.0	02-07-86	4684.7	717.1	3.4	.26	13.74
Baxter Travenol	BAX	19.75	17.38	19.00	1.38	7.80	19.75	12.38	.65	-.60	-.35	-2.21	.85	.64 F	304.8	-14.0	5.8	22.4	.40	2.1	03-11-86	2355.0	137.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	25.25	23.75	23.75	-1.50	-5.94	26.25	14.81	.06	-1.02	-.22	-46.01	1.70	.22 N	13.6	12.0	10.5	12.9	.50	2.1	02-25-86	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	22.00	19.00	21.00	1.50	7.69	22.63	12.00	1.07	-.23	2.81	-18.84	.71	.10 F	16.4	22.0	17.7	29.6	.05	.2	02-24-86	38.4	6.8	7.5	.00	3.70
Bristol-Myers	BMY	75.50	68.50	74.38	2.38	3.30	75.50	53.63	.49	.56	.91	-6.32	3.86	.41 F	11.9	14.0	12.0	19.3	2.20	3.0	03-31-86	4444.0	531.4	2.5	.75	15.63
Carter-Wallace	CAR	62.00	57.75	61.50	3.75	6.49	62.00	31.13	.49	.57	-1.62	19.53	2.66	.86 N	32.8	21.0	5.9	17.7	.60	1.0	02-10-86	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	37.25	32.88	35.63	2.13	6.34	37.25	17.63	.66	1.72	2.91	6.27	.73	.40 N	70.2	16.0	17.4	36.7	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	14.00	12.75	13.25	-.63	-4.50	15.63	8.50	-.48	.65	-3.40	1.92	-2.10	-2.10 F	NC	NC	-29.1	NE	.00	.0	00-00-00	62.8	-18.3	2.7	5.08	3.00
Key Pharm	KPH	16.88	15.00	16.88	1.13	7.14	16.88	7.13	1.08	1.24	2.88	5.52	-.02	-.63 F	-100.0	NC	-.5	NE	.00	.0	09-09-85	152.1	-.8	3.4	2.52	1.60
Lilly Eli Co	LLY	71.13	56.38	70.75	13.50	23.58	71.13	37.50	.52	3.60	6.79	-3.41	3.69	.31 F	9.2	11.0	15.8	19.2	1.80	2.5	02-07-86	3270.6	517.6	1.9	1.71	17.12
Lee Pharm	LPH	18.75	15.75	16.88	1.00	6.30	18.75	4.63	1.46	-.13	.93	-21.33	.40	.17 Q	70.8	NC	6.6	41.2	.00	.0	00-00-00	12.2	.8	3.1	.00	2.49
Leiner P Nutri	PLIN	13.50	12.75	13.50	.25	1.89	13.50	8.25	-.05	.78	-4.20	28.75	.78	-.10 N	-12.5	NC	4.1	19.3	.00	.0	00-00-00	53.6	2.2	2.5	.00	4.90
Marion Labs	MKC	63.75	58.75	62.75	5.13	8.89	63.75	26.50	.35	.96	-.31	-18.29	.94	.42 S	55.3	38.0	12.2	53.2	.36	.6	03-14-86	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	168.00	150.00	160.00	9.25	6.14	168.00	98.25	.35	.05	1.52	8.46	7.58	.87 F	13.0	7.0	15.2	21.1	3.60	2.3	02-27-86	3547.5	539.9	1.9	2.43	37.54
Morton Thiokol	MTI	37.25	34.75	35.63	.13	.35	40.50	28.63	.17	-.46	-1.25	-4.59	2.50	.37 S	16.0	22.0	6.7	13.3	.70	2.0	02-14-86	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	22.75	17.50	21.50	3.50	19.44	26.00	13.50	1.15	-.19	5.87	-36.39	.52	.41 N	100.0	71.0	23.3	26.2	.10	.5	12-27-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	8.38	7.63	7.63	-1.00	-11.59	14.50	6.13	-2.07	-.82	-7.31	13.39	.05	-.08 N	-100.0	NC	6.7	NE	.80	10.5	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	17.50	16.00	16.50	-.25	-1.49	23.25	13.75	.55	-.15	.50	-23.54	.47	.00 Q	.0	76.0	14.1	34.4	.00	.0	00-00-00	21.3	3.0	2.2	.92	2.33
Pfizer Inc	PFE	60.38	53.88	58.75	4.75	8.80	60.38	41.75	.49	.55	.12	4.27	3.44	.36 F	11.7	16.0	14.4	17.1	1.64	2.8	01-27-86	4024.5	579.7	2.3	2.10	15.45
Reid Prov Labs	REID	10.75	10.63	10.75	.13	1.18	10.75	4.00	.93	.00	-8.57	-19.86	.13	.06 S	46.2	28.0	6.0	56.6	.04	.4	12-06-85	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	15.50	12.88	14.50	-.63	-4.13	23.00	5.50	.18	2.88	2.72	18.61	2.53	20.97 F	NE	NC	8.7	5.7	.00	.0	11-19-84	706.1	61.4	1.7	.47	-5.23
Rorer Group	ROR	39.75	35.75	37.88	1.88	5.21	47.00	28.63	.51	-.35	4.37	-59.58	1.72	-.36 F	-17.3	2.0	10.9	22.0	1.12	3.0	02-04-86	338.1	36.8	1.9	2.18	11.07
Scherer RP Co	SCHC	12.75	11.50	12.50	.13	1.01	16.50	10.00	-.98	.98	2.54	-60.54	-.43	-.96 N	NE	NC	-2.0	NE	.32	2.6	03-07-86	167.4	-3.4	1.7	4.07	9.72
Scher Plough	SGP	66.50	61.50	66.00	3.88	6.24	67.00	40.13	-.10	.94	2.34	30.69	3.77	.27 F	7.7	-2.0	10.0	17.5	1.80	2.7	02-03-86	1927.1	192.6	1.4	2.50	25.96
Squibb Corp	SQB	97.88	90.25	93.88	3.38	3.73	97.88	55.00	.56	.05	.29	16.33	4.20	.52 F	14.1	25.0	11.1	22.4	1.76	1.9	02-14-86	2041.7	226.6	2.3	3.74	24.87
Sterling Drug	STY	45.00	42.13	44.25	1.75	4.12	45.00	29.50	.27	.38	-2.69	3.01	1.83	-.54 F	-22.8	-1.0	6.3	24.2	1.20	2.7	02-12-86	1753.7	109.7	2.6	1.32	15.34
Syntex Corp	SYN	58.63	51.88	58.38	6.13	11.72	58.63	27.69	.70	.66	-1.06	-14.01	2.33	.79 S	39.3	14.0	15.8	20.8	1.20	2.1	12-16-85	948.5	150.0	2.1	2.68	9.40
Thompson Med	TM	16.38	14.75	15.88	1.00	6.72	16.50	11.75	.35	.90	1.01	-.31	1.18	-1.02 F	-46.4	10.0	8.1	13.5	.40	2.5	12-23-85	136.8	11.1	5.5	.00	7.43
Upjohn Co	UPJ	164.75	149.25	161.75	11.13	7.39	164.75	78.25	.43	.67	-.45	27.00	5.67	.39 N	6.9	1.0	8.0	26.7	3.04	1.9	04-01-86	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	54.00	51.13	52.75	1.25	2.43	54.00	33.75	.41	.50	-.24	16.99	-4.05	-6.86 F	-100.0	NC	-9.9	NE	1.56	3.0	02-03-86	3200.1	-315.6	1.7	6.47	18.18

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:
NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

1986 PREVIEW

Fragrances

The Sweet Smell of Success Awaits

What do women want in 1986? A fragrance to match every mood, every fancy, every nuance, say the experts.

The buzz word for the year is *wardrobing:* Fragrances worn as fashion accessories, highlighting the brightness of the daytime, the alluring sparkle of the night, and everything in between!

"Women want a wardrobe of fragrances, something to wear to work, while they go shopping, and for every part of the day," says fragrance expert Annette Green, executive director of the Fragrance Foundation in New York City.

For 1986, that means women will want more than one fragrance for a complete sensory experience. For the daytime, experts say women will be clamoring for multiflorals, but during the evening they will want dramatic orientals. Likewise, among teenagers, forecasters say the light and fresh florals will be *de rigueur* for daytime, but the bolder musks and oriental fragrances will catch their fancy during the evening.

And for men, the experts say fresh, light fruity fragrances will become popular for the day, while subtle scents with an undertone of musk and spice will grab their attention for the evening.

Another important trend in 1986 is the growth of more conservative, romantic, feminine fragrances, which are typically associated with floral top notes.

And, on the heels of romance, industry observers say that fragrances will continue to make a fashion statement. One of the biggest successes in that category is the department stores' gangbuster, Giorgio. "It's a fashion driven industry," says Allan Mottus, president of Mottus & Associates, New York, a cosmetics industry consultancy. "Giorgio is a lifestyle, fashion statement from Rodeo drive," he notes.

Indeed, as more fragrances address this need, consumers will continue to throng to the drug store counters for popularly priced scents that match their lifestyles.

With the host of offerings in 1986, fragrance sales should continue to climb high. While 1985 was not a particularly strong year, retailers predict that 1986 will be a blockbuster because of the sophisticated promotions, new displays and packaging that will highlight this year's fragrance offerings, With so much excitement, 1986 should be a SCENTSATIONAL YEAR!

STATE OF THE INDUSTRY

Drug stores are a real mecca for the fragrance consumer. While many years ago shoppers went to the department store to buy scents, nowadays it is more likely that the educated consumer will find most of what she wants in her favorite drug store. Even the most prestigious, high-priced perfumes can now be found in the local drug store, usually behind a locked cabinet.

After all, with today's hectic schedule, and with so many women joining the work force—more than two-thirds of women between 25 and 44 years of age work outside the home—making a separate trip to the department store for a fragrance can prove too time consuming.

Conveniently located drug stores offering a wide variety of scents has proved the favorite outlet for fragrance purchases.

Overall, for cosmetics and fragrances combined, drug stores command a larger share of the market than department stores. And with good reason. Many drug stores now offer an upscale, attractive environment for buying fragrances, with carpeted floors, an inviting collection of scents, and attractive displays.

And many manufacturers now offer sensibly priced perfumes that often

Please lift page for more *FRAGRANCE*

1986 PREVIEW

Fragrances

mimic their more upscale, department store counterparts. Most consumers know that for the money, they can get an equally satisfying perfume for a lower price in a drug store than in a department store.

Fragrances are a big part of the drug store mix and a hefty money maker to boot. Efforts to boost fragrance sales, which now include toilet water/cologne, perfumes, and body sprays, have paid off handsomely.

In 1984, fragrance sales in drug stores soared a thumping 18.7%, raking in $421.8 million in total sales. Overall fragrances grabbed 31% of the total $1.4 billion cosmetics category, and outpaced such departments as stationery, toys and photo.

Moreover, with fragrance gross margins higher than for many other categories, and with price hikes slowing down in 1986, unit growth and volume will be up this year, say buyers.

And fragrances are an ever important part of the total drug store bottom line—contributing, along with cosmetics, 5.3% of total drug sales.

Following is a bird's-eye view of some of the most exciting fragrance offerings for 1986. Here the experts predict what will catch the consumer's fancy during the year and especially during Christmas, when drug stores can ring up as much as 45% of the total year's scent sales.

PROMOTIONS

Promotions are an especially engaging way to catch the consumer's attention and are likely to keep shoppers coming in to the drug store for repeat purchases.

While department stores used to be known for their gift-with-purchases, many observers say that department stores are so cluttered with such items that shoppers don't know which way to turn. However, drug stores are just beginning to offer gift-with-purchases, and this relatively new and very exciting gift idea will have a big impact on drug store sales volume, especially during the Christmas rush.

For example, Jovan is introducing its new addition to its floral fragrances, Tropical Iris, and is offering a potpourri of gift-with-purchases.

But first a word about Tropical Iris, an alluring, warm, glowing, and softly radiant scent that brings out the exotic floral nuances of jasmine, muguet, carnation and the aphrodisiacal ylang-ylang. A very romantic, heady scent. It is one of five florals completing the Jovan bouquet of Black Orchid, Oriental Lotus, Island Gardenia, and Night Blooming Jasmine.

Jovan will lure spring shoppers with some innovative gift ideas, including Jovan Florals Perfume/Cologne Gift-With-Purchase, offering a free 3/8-oz. spray cologne on-pack with every $7.50 purchase of the 3/8-oz. spray perfume, which altogether is a $12 value. Other offerings include a beautiful faux-ivory and beige fossil bead necklace and clasp with purchase of a 1.5-oz. Jovan Floral Spray Cologne for $10. Altogether, the cologne plus necklace is a $20 value.

And some other exciting ideas are the Jovan Florals cologne in the new 0.75-oz. bottle with a gift of three matching scented sachets.

All of these gift ideas come encased in attractive packages along with their respective scents, an ideal way to move packages in drug stores, which are always pressed for space.

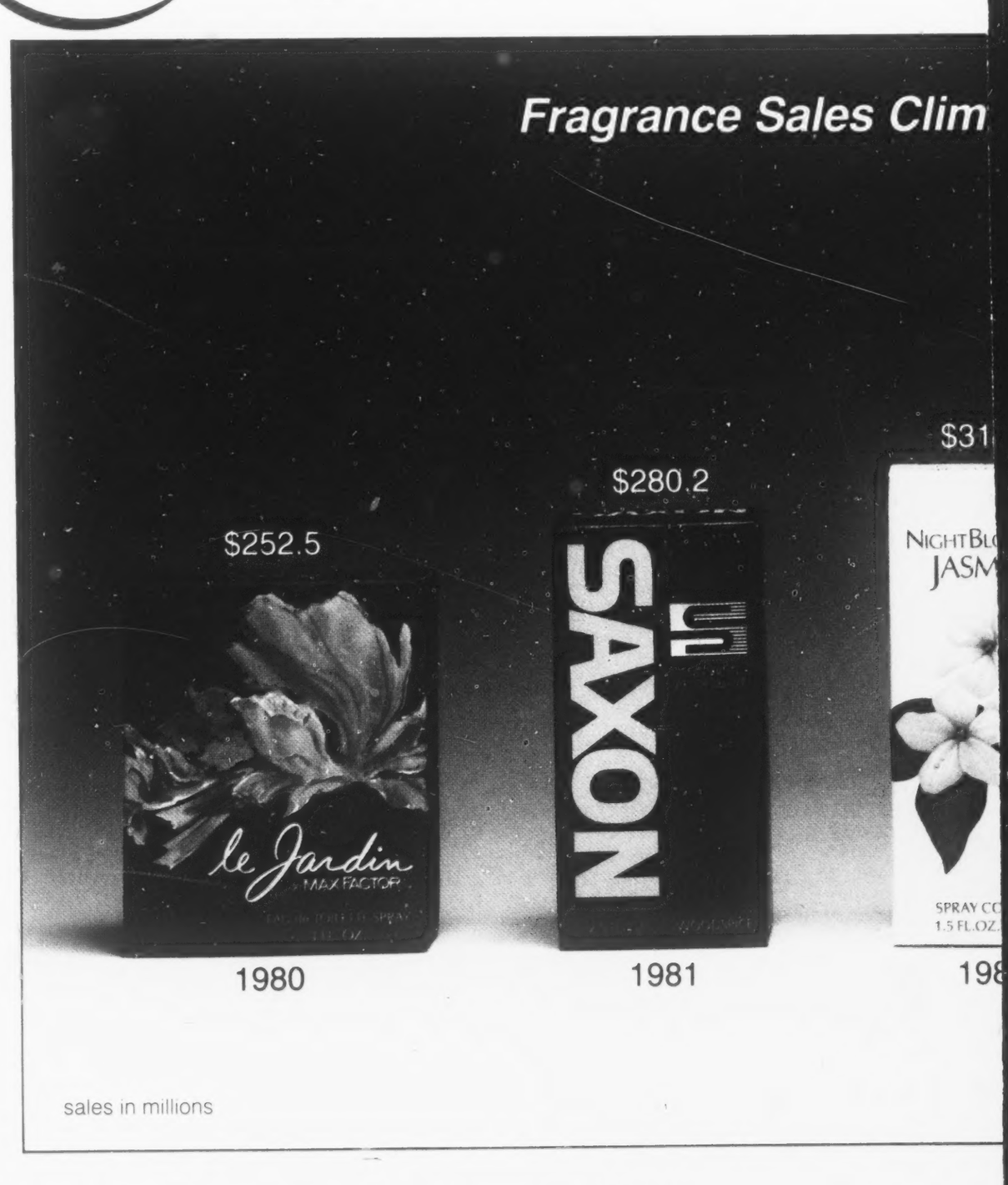
And a truly innovative, striking promotion from Jovan is a wicker cart as a freestanding display unit with a themed counter display unit and shelf talkers. Truly a striking way to greet spring.

Another innovative spring promotion comes from Jordache, which is expecting some hefty sales for its Sassy Eyes & Spray promotion.

Norman Greif, president of Jordache cosmetics says that among the offerings will be 1.7-oz. spray cologne of the floral fragrance Jordache Women with a 12-piece eye-shadow cosmetics kit—an $18.50 value for $10. For men, the themed promotion is called Men's Gear, a bottle of the 1.7-oz. Jordache Man's Cologne and a 1.7-oz. after-shave in a windowed carton. It retails for $8.50, but is a $17.50 value.

And Jordache is hoping to lift sales with trial sizes of its Jordache Woman and Man's florals and its Jordache Love Musk for Women and Men with two displays, one containing 24 pieces of the 3/8-oz. Women's Spray Cologne and the other, 24 pieces of the 3/8-oz. pour cologne. Jordache's Greif says the company is shipping 500,000 pieces of each item which will be interspersed with Jordache's spring promotions.

For fall, Jovan has on tap a themed promotion for its Musk line of scents called The Matchmakers, which will pair up fragrances for both men and women with some creative gift-with-purchase offers. For example, Jovan will be offering the Jovan Musk for Men Travel Pack, a 2-oz. musk shampoo free with purchase of a 2-oz. travel bottle of after-shave cologne packaged with a 3-oz. stick deodorant. For women, one of the offerings is a Jovan Musk for Women Duo, a gift of the 2-oz. hand and body lotion with purchase of 2-oz. Musk Cologne Spray. Here again, note that the gifts are packaged with the purchases—an important part of the drug store merchandising mix.



CHRISTMAS

An important part of any retailer's sales year is Christmas. But perhaps more so for fragrances, the truly universal way to say "I Care" to someone special.

While Christmas 1985 was not spectacular—there were six fewer selling days compared to 1984—retailers expect Christmas 1986 will be a banner selling season.

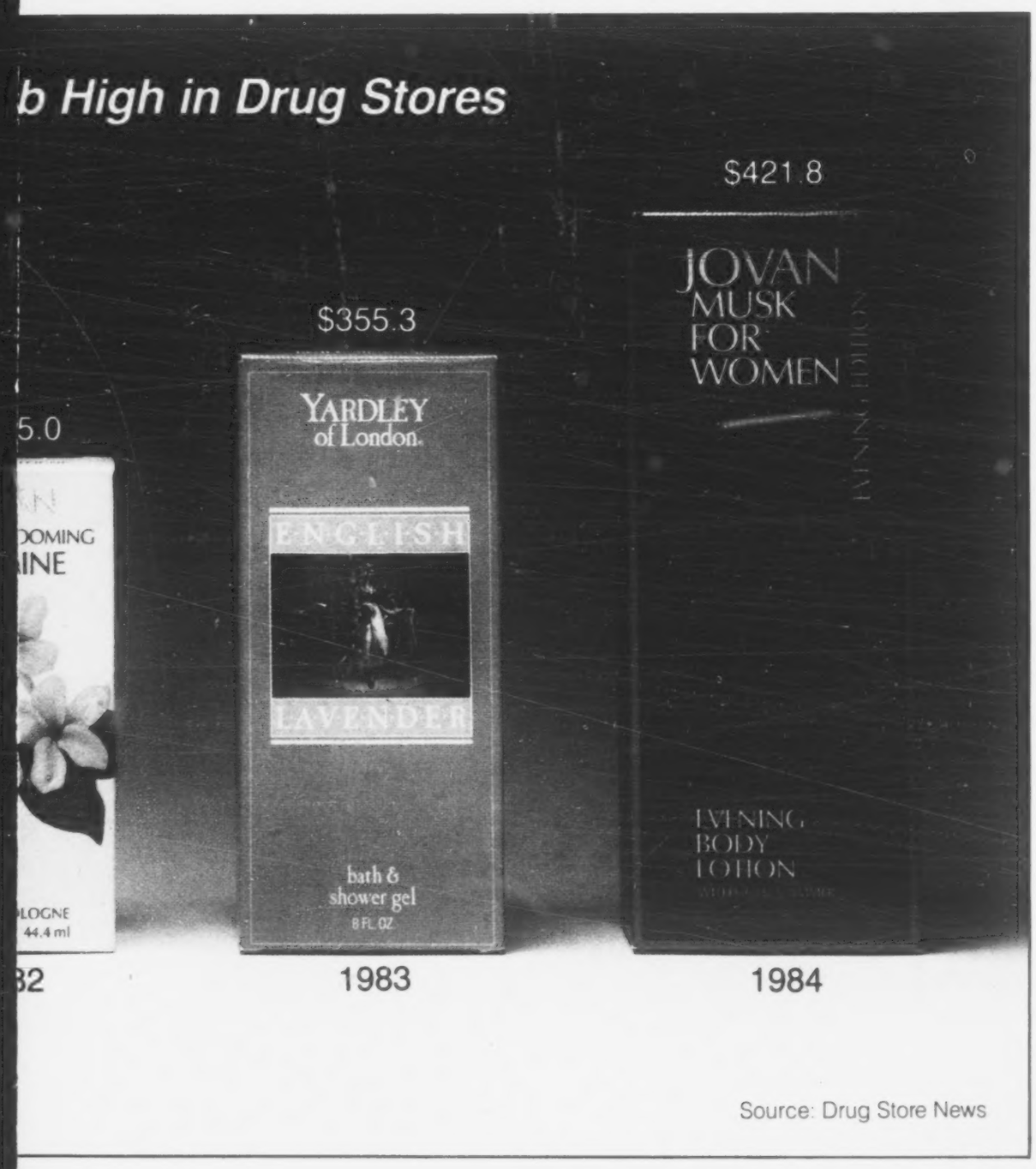
And retailers are planning very carefully for the upcoming Yule because they know how important the holidays are to the bottom line—a good Christmas chases away the winter blues and shores up weaker sales quarters.

In drug stores, Christmas means gift sets—attractively packaged, gift wrapped fragrances in windowed packages, so that the consumer knows what she is buying.

Max Factor intends to transform Christmas with a host of beautiful offerings for its Le Jardin fragrance—the incurably romantic scent with soft, floral, and subtle fruity tonalities that Jane Seymour has made into a household name.

"The forecast for the holidays is very much a glittering, elegant one," says Julie Beauchamp-Sweeney, senior marketing manager for Max Factor. "Our overall look is for an upscale, glamorous, elegant Christmas '86,"

Please lift page for more
FRAGRANCE



Source: Drug Store News

she notes.

Along those lines, Factor will offer A themed Christmas promotion called a Jewelchest—A Treasurehold of Fragrance Gems for the Holidays. For Le Jardin, in particular, the theme is Gems of Romance—feminine, romantic, elegant, and opulent, with gift sets for every budget.

Among the offerings will be moderately priced stocking stuffers, bath and body extensions, and a delicately scented Le Jardin candle. Packaging will reflect a distinctive sparkling-silver-gray-metallic gift wrap.

And for the bath and body extensions there will be Guest Soaps shaped like Le Jardin flowers and a glass soap dish to keep long after the soap is gone. Bubbles For The Bath are encased in a sparkling glass container that will surely enhance any bathroom. And the perfumed bath powder, in a faceted glass shaker, completes the collection.

Jovan, too, has a themed Christmas emphasizing the Celebration of the holidays. And Jordache has some hot Christmas promotions centering around five Christmas gift sets. Men's Grooming Gear, a 3.3-oz. after-shave and 1-oz. cologne packaged with shaver foam and razor; a Men's Classic cologne and after-shave set; and for women, a 1-oz. spray cologne with dusting powder called Contemporary Classic and a 1-oz. spray cologne and Sassy Face cosmetics face kit. Finally, Jordache will offer Love Musk, 1-oz. Women's cologne spray and a Jordache Bright Eyes red plastic compact. Stocking stuffers with hanging stuffed animals and a complete Jordache cosmetics display is also on the burner for Yule.

It is important to remember that all gift sets sell themselves, acting as a kind of substitute for sales help. That is why the sets are so handsomely wrapped—drug stores usually don't have gift wrapping services. In other words, it makes it very easy for the shopper to pick up the fragrance and have an already complete gift.

MEN'S MARKET

One of the fastest-growing categories in drug stores is the men's cologne and after-shave market. While men have generally been slow on the uptake, new in-store promotions and targeted marketing have brought men around to their senses. Although women may still buy most of their scents, the arena is definitely changing.

For example, overall, men's fragrances rose 9% in 1985 to a total of $665 million, according to Charles Kline & Co., Fairfield, N.J. Much of that growth stems from the musk colognes, which some experts say accounts for 15% of the growth in the market.

One of the ways that men have been drawn into the market is through delicately scented after-shaves which are soothing and nonirritating. For years marketers have been telling men that after-shave balms do not have to sting to be effective. And it appears that the hard work is paying off.

One of the big sellers in this category is Saxon, a soothing after-shave with conditioners that soothe raxor irritation, alleviating roughness and dryness. It leaves the skin feeling good.

Saxon comes in two deliciously scented formulas, woodspice, in a handsome brown box, and golden musk in a handsome gold box. And Saxon is a lotion, not an alcohol-based product that stings.

Steve Reddy, product manager for the brand, says that during Christmas 1985, four gift sets were offered for Saxon and they moved rapidly. And this year, he expects some fireworks for upcoming promotions.

"Regular after-shaves and colognes are flat, and the only growth segment is in the soothing, conditioning after-shaves, which are growing very rapidly," says Reddy.

Nevertheless, marketers see a window of opportunity in the men's fragrance (cologne) market in drug stores and expect this year to see some strong growth in this area.

One fragrance that makes an elegant, lifestyle statement is Black Label by Yardley of London. This distinctive, European fragrance subtly highlights a man's personal style, and is suitable for the office and into the evening. It is elegant without being macho.

Yardley expects some sizzling sales for Black Label. Yardley notes that Black Label has an upscale image, and fills the market void for a top-end, nondesigner fragrance. This continental blend of masculine notes of coriander, nutmeg, ginger, and clove with dashes of patchouli, moss, and amber is a versatile, alluring fragrance that men can wear any time of day.

Yardley of London Spice, Leather, and Musk, three powerful fragrances that are provative, yet subtle also enhance the way a man feels. And the line also provides men with the basics they need in after-shave lotion, stick deodorant, and shave cream, note the fragrance experts at Yardley.

And Jordache for Men fragrances—Jordache Man and Jordache Love Musk for Men—also makes a sophisticated lifestyle statement, offering men an upscale, elegant, yet subtle scent, but at popular prices ranging from $6 to $15, notes Norman Greif, president of Jordache cosmetics.

SELLING TIPS

For any fragrance the importance of testers cannot be overstated. For both men and women, they need to know what they are buying and to try it on to insure a sale. Afterall, a women or man who likes the aroma of a fragrance is likely to buy it. So don't make it difficult to experience a fragrance.

Also remember that fragrances are fun purchases. Create an environment in the department that is not threatening, but enticing, so that shoppers can easily work their way through the offerings.

Spray some scent into the air to create a special atmosphere, and put manufacturers' displays in high-traffic locations so that they are highly visible.

Mention that certain cosmetics colors might match a certain scent and be aware of fashion trends so you can direct shoppers to all the new items in the store. If you can grab the shopper's attention, you may point out that certain fragrances fit certain moods and suggest the proper scent: Florals for romance and more spicy, musky scents for dramatic flair.

Finally, for those without sales help, make sure that all displays are in full view and that housekeeping is in order. A clean department is a sure way to entice shoppers and to make them feel comfortable with the many fragrance offerings in the store.

MERCHANDISING TRENDS

Bulk items' share up in laxative market

Consumers' growing interest in high-fiber bulk laxatives means good news for drug stores, which accounted for 70% of retail bulk laxative sales in 1985.

Sales of bulk laxatives continued to outpace the growth of the laxative market overall. Bulk items accounted for $189 million in retail sales, a 16% hike from 1984, while the laxative market grew 5%, to $525 million, according to Merrell Dow Pharmaceuticals, makers of Citrucel.

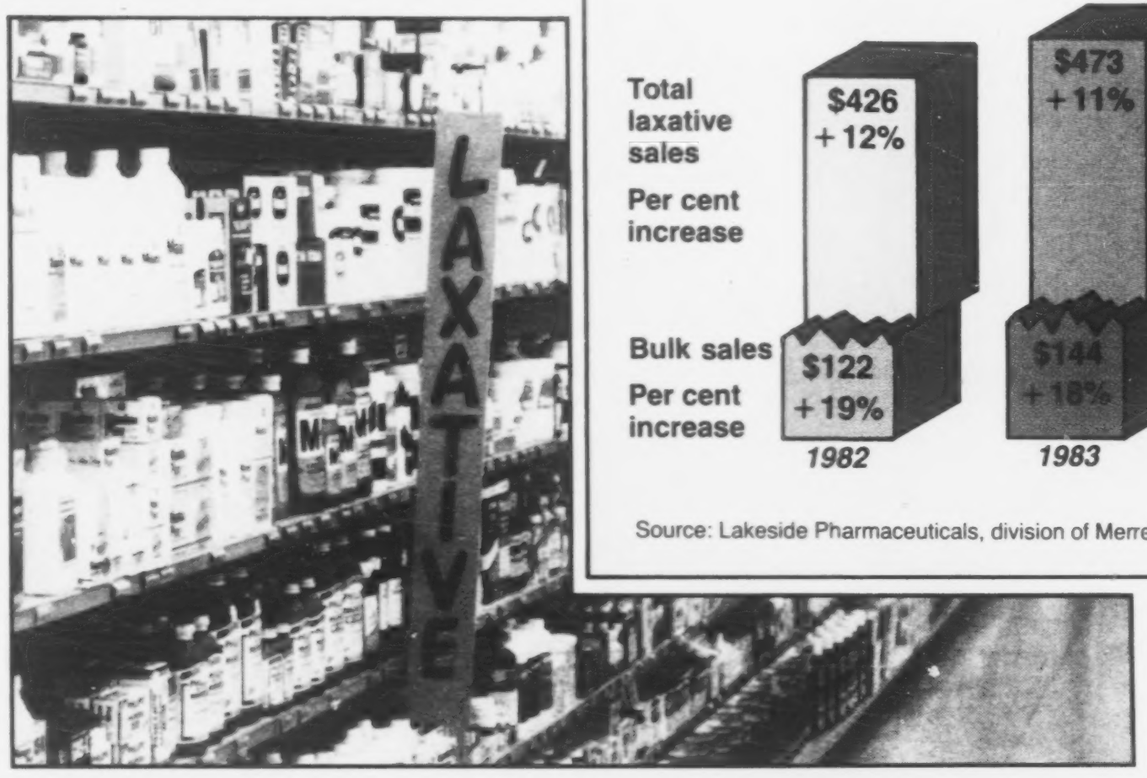
Chains including Begley, Snyder's and Gresham Drugs tallied 10%-15% category sales growth last year, driven by the high-fiber segment. The activity spurred Snyder's and Gresham to increase planogram space recently.

Chain spokesmen said customers' habitual use makes laxatives highly promotable—and price-sensitive. A recent price check showed chains feverishly promoting the category in newspaper circulars.

Gresham was offering 15-oz. Fiberall at $5.99, down from the $7.89 suggested retail, and Fibermed at $3.99, off from $5.29

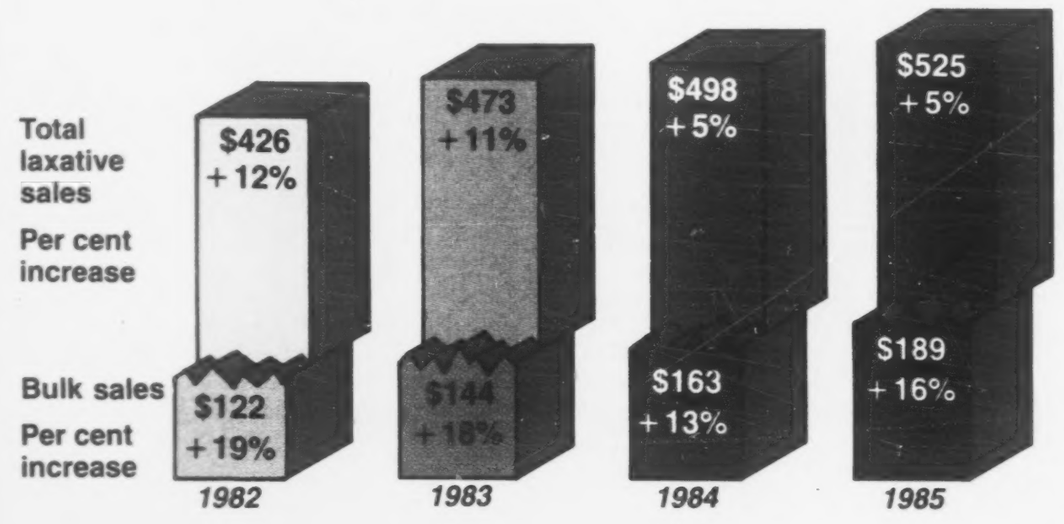
Eckerd offered Fiberall wafers, 14-count, at $3.39, and at $2.39 with a $1 mail-in coupon.

Walgreens advertised Correctol tabs (30's) at $2.29 and Doxidan caps (30's) at $3.79. Hook announced 53¢ savings on a 15-pill Feen-a-Mint package at $1.33, and $1.16 savings on a 100-count bottle of Dulcolax, at $10.33.



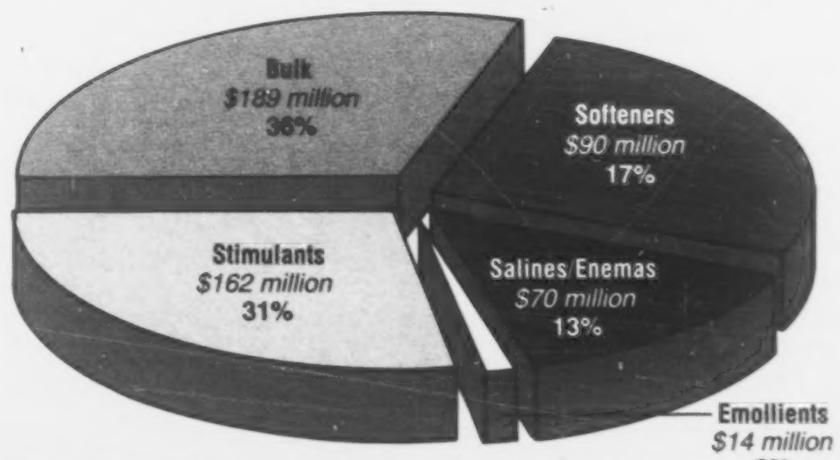
Bulk-laxative sales outpace total laxative sales

(Millions of dollars in retail sales and per cent increase)



Source: Lakeside Pharmaceuticals, division of Merrell Dow Pharmaceuticals.

Bulk laxatives grow to 36% share of 1985's $525 million retail market



Source: Lakeside Pharmaceuticals, division of Merrell Dow Pharmaceuticals

Buyers predicted bulk items will continue to capture customers' attention because of increasing awareness of fiber's importance in the diet and physician recommendations about bulk items being more natural stimulants than traditional chemical stimulants. The category as a whole, meanwhile, should continue to benefit from the growth of the 50-year-and-older population segment.

Gresham adjusted its laxative planogram last year to reflect growing sales, driven by bulk laxatives, said Gresham president Marvin Gresham.

The six-store Florida chain added 2 ft. to a 4-ft. planogram and put bulk products in the key position, at eye level, and on one shelf below.

"Bulk is really where the business is," said Gresham, who reports flat sales from stimulant segment brands including Ex-Lax and Feen-a-Mint.

Fiberall gained sales over Metamucil due to customers' attraction to Fiberall's sugar-free makeup. But Metamucil recovered momentum at Gresham with the introduction of its own sugar-free brand last year, Gresham said.

Among traditional stimulants, Gresham said, Correctol has maintained steady sales, particularly among women, by being positioned as having the same gentle feature as the bulk items.

"I think they created a picture of being a gentle-type laxative that people can use every day," he said.

Begley Drugs is picking up the category's newest entry—Citrucel—which was shipped Feb. 17, in 16-oz. and 30-oz. powder versions similar to Metamucil, said buyer Ralph Kinder.

In January, Snyder's added 2 ft. to its laxative planogram after posting over 10% category growth. "There's certainly been an increase in sales, but also a proliferation of new items," remarked buyer Roger Mountain.

Merrell Dow is eying Metamucil's hefty market share, estimated by one source at 80%-85%. Citrucel is being advertised as having a less "sandy, gritty" taste than Metamucil, because it contains methycellulose rather than psyllium. It is, as well, the company says, 100% water soluble, and has a pleasing orange taste.

Calcium enriched antacids pump up sales

Doctors, TV promote nutrition awareness

The normally staid antacid category received a positive jolt in 1985, when awareness about calcium's nutritional benefits focused consumer attention on Norcliff-Thayer's Tums.

The 70-year-old neutralizer experienced monthly sales increases after some consumer magazines in late 1984 published stories that identified the product as an inexpensive source of calcium, according to Norcliff-Thayer sr. vp. Ted Williams.

Physicians meanwhile continued to recommend the antacid to women as a source of the element, a necessary diet ingredient for preventing osteoporosis.

Warner-Lambert's Rolaids, in a struggle for market share with Tums, responded by emphasizing its antacid properties in television commercials. Sources said that both are about tied for market share in the $625 million category with 35% each.

Chains recently were heavily promoting Rolaids, which sources said is reclaiming in some of its share of the market it had led a year ago.

In newspaper circulars, Revco was offering 75 tabs, reg. $2.29 a bottle, at two bottles for $3. Fay's advertised Rolaids 180's at a $1.43 savings, at $2.66. Discount Drug Mart promoted the Rolaids bonus pack—75 tabs plus 20 free tabs—at $1.59, off list price of $2.98.

Although Tums sales are up 25% to 30% from 1984 at Gresham Drugs, president Marvin Gresham said that product's increase makes up just a small part of total category growth, which comes largely from generics.

Generics account for a large portion of the chain's antacid tablet sales, with Gresham's private label selling for $1.99 for 100 counts, compared to 75 Tums counts at $2.09.

As expected, major sales gains have occurred in calcium supplement products such as Ayerst's Posture. Sales are up 200% to 300% in the category, Gresham said.

Nevertheless, Glenbrook Labs, the makers of Calcitrel, is banking on a continued demand for antacids doing double duty as calcium supplements. Calcitrel will be shipped in four sku's in tablets and liquids next October, and being billed as "the first and only antacid positioned for women," with "a calcium bonus in every spoonful." It includes 17% more calcium in each tab or spoonful than a Tums' tablet and is sodium free, a Glenbrook spokesman said.

Gresham said that Mylanta and Maalox sales have been further threatened by products that control ulcers while combating acid discomfort. SmithKline's Tagamet and Glaxo's Zantac are gaining sales among antiulcer drugs at the Florida chain's stores, Gresham said.

DRUG STORE NEWS

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PART ONE

Retail drug sales rise 9% to $47 billion

C.E. Lesson: ACPE
Pharmacological treatment of GI ulcers—p. 185

NACDS Overview:
Chains and HQ focus on future growth—p. 69

Seminar:
DrSN *panel discusses computer technology—p. 23*

DRUG STORE NEWS®

Vol. 8/No. 10 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. April 28, 1986

Eckerd group closes in on buyout

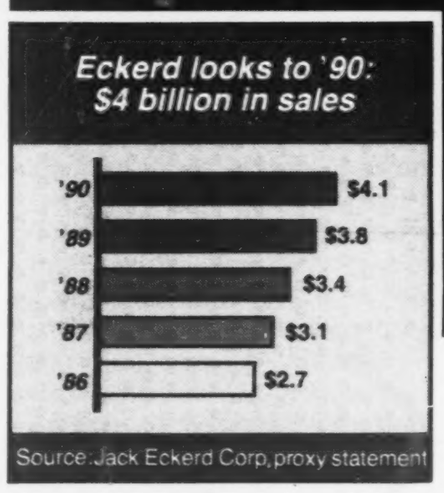
Will management be able to rescue the Jack Eckerd Corp. from its recent depression? Can they do it fast enough to avoid being forced to sell off large blocks of stores in underperforming markets?

At presstime, opinions on these questions were divided. Management has said consistently that Eckerd's only loss last year was due to a one-time writeoff and not to a failure by the drug chain. They remained staunch in their assertion that their gamble was "minimal."

"We are a profitable company," said one management source, "and we aren't facing any cash flow problems. If we didn't have that $61 million

See **Analysis,** *page 192*

News Analysis



Management plans to pay the equivalent of $33 a share to control Eckerd, and has set stringent performance goals.

$1.4B deal 'fair' to stockholders

By Liz Parks

CLEARWATER, Fla. — Wall Street analysts are expecting that stockholders will approve the leveraged buyout of the Jack Eckerd Corp. later this week.

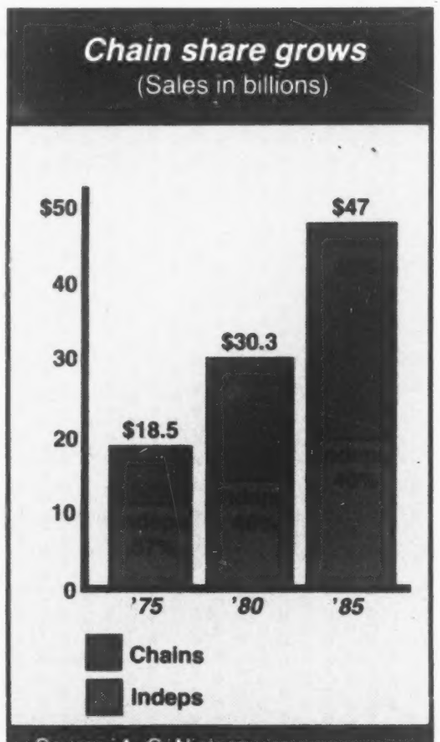
Analysts said the $1.4 billion deal is "fair"—both for stockholders and for investors, who include 30 key members of Eckerd's management.

The big question now, said analysts, is whether the new owners can make a privately run Eckerd "realize its potential."

Technical delays involving

See **Eckerd,** *page 192*

See related story, page 6



As usual, chain drug stores fared better than independents in 1985. See *Drug Store News'* 1986 Annual Report, starting on page 75.

Arbor goes public to generate $14 million-plus for expansion

By Al Heller

TROY, Mich. — Arbor Drugs seeks to raise $14 million-$17 million in an initial public offering, primarily to fund expansion by 12 to 14 new stores in 1986 and reduce debt.

Four new stores will mark the 48-store chain's first venture outside Michigan markets into North and South Carolina.

Arbor will offer 900,000 shares at $16-$19 each as part of a total two million share public offering, in which chairman and president Eugene Applebaum and executive vp Markus Ernst would dispose of more shares than the company. They'll retain control of Arbor, however, holding 67% of shares, according to a preliminary prospectus dated March 28.

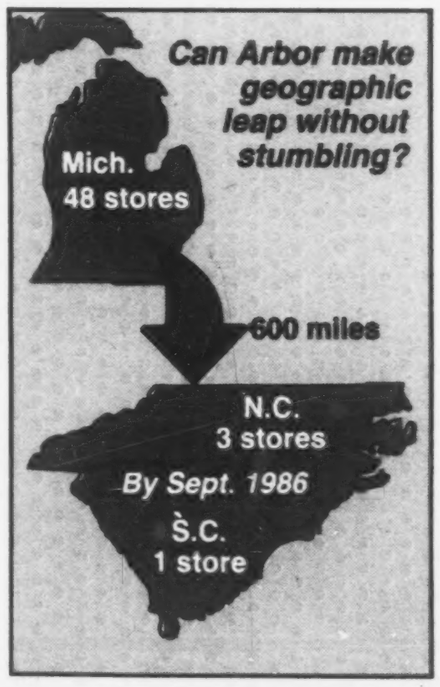
The offering is being underwritten by Salomon Brothers, Drexel Burnham Lambert and William Blair & Co.

It's rare when a retail drug chain goes public today, particularly with the lowest prime rate (9%) in seven years. In contrast, Eckerd, Revco, Snyder and Dart have gone private in recent years or are considering it.

Arbor, however, wants to enter the Carolinas fast and already carries $6.4 million in debt by having opened 18 stores in the past 33 months. The preliminary prospectus cited "high population growth markets" in parts of both states. Arbor plans to add three drug stores in Charlotte, N.C., and one in Myrtle Beach, S.C., by September.

They'll generally conform to Arbor's 10,500-sq.-ft. prototype and be equipped with the Arbortech pharmacy comput-

See related story, page 6



er system, like the rest of the chain. Arbor isn't yet committing to further expansion in the Carolinas, preferring to watch performance first.

The four Carolina stores will be serviced by Arbor's sole 60,000-sq.-ft. distribution center (DC) in Troy, Mich., which currently handles 70% of merchandise sold chainwide.

Further unspecified store growth could prompt Arbor to more than double total DC space to as much as 150,000 sq. ft. "within two to three years," the document added.

Most of Arbor's new stores will be in southeastern Michigan to fortify the chain's presence here and strengthen advertising and distribution

See **Arbor,** *page 192*

Big Bear's unusual configuration surrounds pharmacy with meat, deli and frozen foods.

Big Bear goes prowling for pharmacy customers

ESCONDIDO, Calif. — If Big Bear's first pharmacy in its 42-year history is successful, it won't be a fluke. The San Diego-based food chain, operating 30 supermarkets, is firing the pharmacy bullet while trying to dodge a fusillade of competition.

There are 22 pharmacies in this community of 135,000, located 30 miles north of San Diego, and they include these chains: Thrifty, Longs, Medicine Shoppe, Sav-On, Med-Rx, Gemco, and Vons Value Centers. Coming soon: Fedco, the membership discount department store known for its high-volume script fills.

Three of the chains will be Big Bear-hunting at close range: Vons is 100 yards away, Sav-On opens across the street in June, and Fedco opens two blocks away in the vacated Sears building. On the second tier of encroachment are Longs and Thrifty, 1.3 miles away.

But no one can say that Big Bear is taking it sitting down. They came out swinging.

At the store opening, Big Bear offered to meet or beat

See **Bear,** *page 192*

S.P.F. numbers score big biz in tanning products See page 17

Scanning imposes structure on store operations See page 30

Arbor Drug set to invade Dixie; to open 3 units in N.C., 1 in S.C.

By Dave Vaczek

CHARLOTTE, N.C. — Arbor Drugs plans to open three stores here and a fourth in South Carolina in its first drive on a market outside of its Michigan home base.

The Troy-based chain has scheduled summer openings for the units in Charlotte, a "second generation" sunbelt town that has beckoned recent growth from chains including Kerr Drug Stores and Drug Emporium.

A late summer unveiling of a fourth store in the coastal resort town of Myrtle Beach, S.C., will cap the southern probe, which will be funded with proceeds from Arbor's initial stock offering.

"No one has a strong purchase on the market," said an Arbor spokesman of Charlotte, which anchors a seven-county metro area that is undergoing a surge in business and residential expansion.

Arbor decided to go south based on an analysis of the region's demographics, the competitive environment, and site availability, the company said in its stock sale preliminary prospectus.

Eckerd is the leader in Charlotte with about 30 stores, followed by Revco with 15 and Rite Aid with five. Opening its first store last May, the Raleigh-based Kerr Drug is now building its fourth, with two more leases under negotiation, according to Kerr vp-real estate Chris Woody.

Drug Emporium is building a second unit, Kroger operates eight food/drug combos, and A&P and Winn-Dixie have combo units under construction.

Observers say that while the market seems understored now, drug retailers are already jostling for hot sites, notably in upscale suburbs south of town.

"It's a growing market, but it's a heck of a lot more crowded than it used to be," says Tim Dargusch, who owns the Drug Emporium franchise.

In one three-quarter mile stretch along Highway 51, for example, Dargusch said at least six chains are back to back.

"It's going to be interesting to see what happens," he said. Charlotte has been enjoying record investment, as it attracts new businesses and workers from outlying counties, where the textile industry is in decline.

In its prospectus, Arbor said its further growth will depend on the success of the four stores. The units are all the typical Arbor size of 10,000 to 12,000 sq. ft. and will resemble the prototype closely in layout and merchandise, a spokesman said, with the pharmacy on the back wall and a broad center aisle for promotional displays.

A 10,000-sq.-ft. store is under construction in the Hickory Grove shopping center adjacent to an A&P in east Charlotte. A second unit is a renovation to an existing 12,000-sq.-ft. store on South Sharon and Amity roads.

The Myrtle Beach unit will be a newly built 10,000-sq.-ft. unit.

Arbor will manage the operations as it would a Michigan region, with a district manager from Detroit overseeing locally hired store managers and personnel, a spokesman said.

Distribution will resemble the Michigan operations, except warehouse-delivered goods will be on a 10-day cycle for the Carolina stores. Also, drugs, among the 70% of products Arbor warehouses, may be purchased locally, an Arbor source said.

Warehouse manager John Baran confirmed that the Carolina stores will need sharper ordering practices with a 10-day cycle. Arbor is comfortable with the cycle, since the Michigan stores were serviced every 10 days four years ago, before a seven-day cycle was adopted.

How the Eckerd LBO will be financed

Source of funds	(In thousands of dollars)
Revolving credit loans	$ 690,000
Discount subordinated debentures	179,035
Subordinated debt	260,417
Preferred stock	75,000
Class A and nonvoting stock	116,802
Class B stock	500
Liquidation of net assets from discontinued operations	8,323
Cash and cash equivalents of JEC	21,664
TOTAL FINANCING	$1,351,741

Source: The Jack Eckerd proxy statement, April 1, 1986.

Eckerd management to own 13.7% in LBO

If merger is consolidated as planned

Assuming that stockholders will approve the pending leveraged buyout of the 1,588-unit Jack Eckerd Corp., this is what the change will mean for Stewart Turley and the other executive managers involved in the buyout:

Turley, chairman and president of the Eckerd Corp., will own 2.69% of Eckerd Holdings Inc., the company that is acquiring the Eckerd Corp.

John Boyle, Eckerd's senior vp-finance and administration, will receive 1.19% of holdings; Harry Lambert, president of Eckerd Drug, will receive another 1.19%, and the remaining members of the management group involved in the buyout will receive a total of 8.63% of the shares.

Therefore, when the merger is consolidated, the Eckerd management group will own approximately 13.70% of the outstanding shares of Holdings, while Merrill Lynch Investors will own 81.42%, and the affiliates of the banks that are providing the financing will own the rest, about 4.88%.

In addition, after the merger, the Jack Eckerd Corp. plans to purchase about 1.4 million shares (worth about $5.4 million) of Holdings common stock from Merrill Lynch Investors and contribute it to the employee profit-sharing plan for the benefit of Eckerd employees. Holdings has also agreed to contribute additional 720,000 shares of Class A stock over a five-year period if Holdings and its subsidiaries meet their operating criteria.

If all the additional shares are contributed to the profit-sharing plan, the plan will own approximately 6% of the common equity of Holdings on a diluted basis.

Contac capsules, tablets will be available this fall

PHILADELPHIA — At an informal meeting here between the press and SmithKline Beckman's consumer division, Menley & James, president Bill Learnard announced that Contac will be launched as a new product in two dosage forms, capsules and tablets, in time for the fall cold season.

"Consumers will have a choice, and it will be treated like a new product," said Learnard in reference to the 25-year-old cold remedy, which was recalled in March following the discovery of warfarin, a rat poison, in Contac capsules in Florida and Texas.

The new capsules Learnard alluded to will probably be fitted with one of the "tamper-evident" packaging technologies. An extensive public education campaign is also planned.

Learnard said he will announce to the trade the specifics of the relaunch by mid May.

This development follows the announcement by American Home Products that it will launch an extensive campaign for a new caplet form of Anacin and Anacin-3 (acetaminophen).

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Vol. 8, No. 10 - April 28, 1986

Buckley is named *DrSN* editor

Parks to develop new editorial and research projects

NEW YORK — Jay Forbes, publisher of *Drug Store News*, announced that Bruce Buckley has been promoted to editor and Liz Parks has been reassigned and given expanded duties as special projects editor of the publication.

Forbes said the moves "are in line with our strategic goals of maximizing the publication's strengths as well as the talents of all individuals."

In her new role, Parks is being called on"to maximize the excellent outside contacts she has developed, working with many outside column contributors and initiating new editorial and research projects now on the drawing board," Forbes said.

Parks, editor of *Drug Store News* for the past three years, is a veteran journalist. Before coming to the publication, she was editor of *Chain Store Age, Supermarkets*, and of *FM (Food Merchandising for Non-food Retailers)*. She has also served as executive editor of *Nation's Restaurant News*, all Lebhar-Friedman publications.

Buckley, who had been executive editor of *Drug Store News*, has been with the publication for five years. In his long career as a newspaper journlist, he has been editor of *Supermarket Business* and of *Health Care Week*, a weekly newspaper covering the medical field.

Forbes said the reassignments come at a time when *Drug Store News* is meeting or exceeding its strategic goals in all areas.

"Our subscriber numbers and retailer renewal rates are both at an all-time high, and our advertising continues to gain in market share," he said. "With these new assignments, we foresee continuing to meet and exceed our long-term objectives."

Bruce Buckley and Liz Parks are taking on new, expanded roles at *Drug Store News*.

FINANCIAL

Food-service units shuttered

Thrifty Corp. sales climb 5.5%, net income increases to $19M

LOS ANGELES — Thrifty Corp. reported increased sales and income for the second quarter ended Feb. 28 and the first six months.

Preliminary figures showed a 5.5% increase in sales for the six months, from $699.6 million in 1985 to $738.1 million. Second quarter sales rose 4.3% from $391.6 million to $408.6 million in fiscal 1986. Fiscal 1985 sales include sales of food-service units, all of which were closed in the last few weeks of the year.

Unaudited consolidated net income after taxes for the six months was $19 million compared with $17.9 million in the previous year, a gain of 6.4%. Second quarter net income was $14.9 million compared with $14.1 million for the comparable quarter, up 5.3%.

Earnings up

Second quarter earnings per share, based on the average number of common shares outstanding, were 74¢ in the second quarter, compared to 1985's 71¢. Year-to-date earnings were 95¢ vs. 90¢ last year. Both years reflect the use of LIFO accounting.

In January, the Board of Directors increased the regular quarterly dividend from 15¢ to 16¢ a share, the 11th dividend increase in 10 years.

Earnings of Crown Book Corp., 34% owned by Thrifty, and the loss of Trak Auto West Inc., 50% owned by the chain, are included in the financial results, based on the equity method of accounting. The chain said their combined net loss did not have a significant impact on earnings results.

Walgreens hits $1B quarter

DEERFIELD, Ill. — Walgreens posted its first $1 billion quarter with sales up 14.5% from $875.3 million to $1.002 billion for the second quarter ended Feb. 28.

Earnings increased 15% to $35.6 million, or 58¢ per share, compared to $31 million or 51¢ a share, last year.

Six-month sales rose 14.4% to $1.8 billion, with net earnings to date up 13.5% to $52.9 million, or 86¢ a share.

Charles R. Walgreen III, chairman, said 77 new drug stores were opened in the first six months, including the 26 acquired Ribordy Drugs. In 1985, the drug store division increased market share in 41 of the chain's top 50 markets, Walgreen said.

Walgreen said that in the past three years the chains' sales growth in all of its major markets exceeded total drug store sales growth in those markets by almost 10%.

"This reflects our strategy of increasing our presence in existing markets, while continuing to seek new market possibilities, mainly through acquisitions," Walgreen said.

Drug store division sales were up 15.1% for the quarter, and 15% for the first six months.

Drug Store News Apr. 7, 1986

Name	Symbol	STOCK PRICE High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	TREND TO MARKET Price Trend (% per day) Last 30 Days	Price Trend Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend Last 5 Days	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.		5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. rate Amt.	Yield	Last X-Dvd. Date	FINANCIAL POSITION Last Fiscal Year Revenue	Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	60.63	57.63	58.50	-1.50	-2.50	68.25	48.63	-.46	.04	-1.61	-20.50	4.11	-1.60 F	-28.0	30.0	1.1	14.2	.84	1.4	03-24-86	13889.5	154.5	1.2	37.93	21.40
Begley Co	BGLY	22.50	21.50	21.50	-1.00	-4.44	23.50	15.50	-.15	.85	.31	-17.14	1.26	.50 N	42.7	10.0	1.1	12.9	.72	3.3	01-14-86	66.1	.7	1.7	13.77	18.84
Big B	BIGB	15.50	13.50	14.63	1.00	7.34	19.50	12.63	-.02	-.35	1.50	16.31	.61	-.07 F	-10.3	21.0	2.3	24.0	.00	.0	09-21-83	175.4	4.0	2.3	1.20	4.58
Drug Sys	DRGS	5.13	4.75	5.13	.38	7.89	6.13	3.75	.29	1.48	-1.12	41.36	.35	-.97 N	-100.0	NC	1.2	NE	.50	9.8	01-06-86	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	32.25	30.88	32.13	.75	2.39	32.25	20.00	-.09	1.09	4.10	21.18	-.22	-3.13 S	-100.0	NC	-.3	NE	1.04	3.2	03-03-86	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	11.13	9.75	10.00	-1.25	-11.11	11.75	8.00	-.22	-.48	.01	10.07	.20	-.42 F	-67.7	21.0	.6	50.0	.20	2.0	03-21-86	445.1	2.8	1.8	1.65	4.28
Genovese Drug	GDX	14.00	13.00	13.25	-.38	-2.75	14.38	9.13	-.21	.46	-2.67	-22.27	.73	-.30 F	-29.1	39.0	1.2	18.2	.20	1.5	04-08-85	233.2	2.9	1.7	2.06	5.73
Longs Drg Strs	LDG	32.75	29.88	31.50	1.25	4.13	32.75	24.75	.19	-.44	-2.55	-11.27	1.74	-.14 F	-7.4	8.0	2.5	18.1	.72	2.3	02-26-86	1480.8	37.7	2.1	.00	12.23
Medicare Glaser	MGCO	4.50	3.75	4.50	.00	.00	5.25	3.75	.29	4.18	7.28	82.11	.05	-.49 N	-100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Medicine Shoppe	MSII	25.13	24.38	24.38	-.63	-2.50	26.00	21.00	-.22	.13	-.56	8.98	.84	.16 Q	22.5	49.0	22.4	28.0	.00	.0	00-00-00	13.4	3.0	9.2	.00	5.08
Perry Drug	PDS	16.63	15.25	15.50	-1.13	-6.77	18.75	11.19	-.08	.26	-.14	.83	.98	.18 Q	22.2	16.0	1.8	15.7	.22	1.4	02-20-86	521.6	9.6	2.0	9.77	7.79
Revco Drug	RDS	34.63	33.38	33.75	-1.00	-2.88	35.25	23.13	.32	.96	-1.05	23.11	1.06	-1.01 N	-51.3	-6.0	1.6	35.2	.80	2.4	02-19-86	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	31.13	27.75	28.25	-2.50	-8.13	32.25	21.50	-.03	-.85	.04	-21.44	1.52	-.17 F	-10.1	8.0	4.0	18.6	.58	2.1	01-13-86	1564.1	62.5	1.9	2.02	8.58
Thrifty Cp	TFD	29.88	27.25	27.50	-.75	-2.65	29.88	18.13	.30	-.96	1.77	3.35	1.60	.19 Q	13.3	16.0	2.3	17.0	.64	2.3	02-04-86	1404.9	31.9	1.7	5.86	6.85
Walgreen Co	WAG	34.25	30.00	31.88	-1.13	-3.41	34.75	22.50	.20	-.97	-.37	9.00	1.53	.13 Q	9.1	20.0	3.0	20.4	.50	1.6	02-11-86	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																										
Bergen Bruns	BBCA	34.50	31.38	33.63	-.25	-.74	37.25	23.69	-.49	1.44	3.70	2.21	1.82	.06 S	3.6	13.0	1.0	19.3	.32	1.0	01-28-86	2434.9	24.2	1.7	11.12	12.07
Bindley Wstn	BIND	11.63	11.00	11.00	-.63	-5.38	15.00	7.75	-.19	-.80	-4.23	37.29	.79	.06 F	8.2	23.0	.8	13.9	.00	.0	05-01-85	626.9	5.2	1.4	.08	5.46
Cardinal Distrb	CDIC	25.00	24.50	24.50	-.75	-2.97	25.25	14.22	.37	.43	-1.12	-12.48	.92	.42 N	46.7	NC	1.2	18.6	.08	.3	03-25-86	320.0	3.7	1.7	.85	8.04
Durr Fillauer	DUFM	14.75	14.50	14.50	-.25	-1.69	15.25	9.25	-.19	.48	.01	-53.97	.78	.04 F	5.4	13.0	1.4	18.6	.15	1.0	02-24-86	427.1	6.1	2.3	1.21	6.05
Ketchum	KCH	20.38	19.25	19.25	-.75	-3.75	23.25	14.06	-.62	-.53	-4.14	-53.02	.56	-.01 N	-2.2	NC	.2	43.8	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	61.25	55.25	55.25	-3.00	-5.15	61.25	42.00	.06	-1.09	1.92	-7.99	3.60	.38 N	10.9	-1.0	1.3	14.2	2.40	4.3	02-25-86	4887.1	65.0	1.5	12.99	30.40
Moore Med	MMD	22.75	21.50	21.88	.50	2.34	24.25	12.31	-.07	.18	1.35	31.52	1.45	.43 F	42.2	17.0	2.5	15.1	.00	.0	05-23-85	147.9	3.7	3.3	2.45	5.25
Owens & Minor	OBOD	20.25	18.75	18.75	-.13	-.66	20.25	11.19	.39	-.93	1.70	-12.49	1.14	.19 F	20.0	18.0	1.2	16.4	.28	1.5	12-10-85	367.3	4.4	2.6	7.15	9.34
Manufacturer's transactions																										
Abbott Labs	ABT	86.75	78.75	81.63	2.88	3.65	86.75	49.50	.64	.28	-.23	6.03	3.88	.54 F	16.2	18.0	13.8	21.0	1.68	2.1	04-09-86	3360.3	465.3	2.1	3.70	15.64
Am Home Prod	AHP	79.88	74.00	76.00	.00	.00	80.00	54.75	.19	-.45	.80	17.51	4.70	.31 F	7.1	11.0	15.3	16.2	3.10	4.1	02-07-86	4684.7	717.1	3.4	.00	15.19
Baxter Travenol	BAX	19.13	18.00	18.63	-.25	-1.32	19.75	12.38	.03	1.15	.64	-16.17	.85	.64 F	304.8	-14.0	5.8	21.9	.40	2.1	03-11-86	2355.0	137.0	1.6	1.46	7.83
Block Drugs Co	BLOCA	23.75	22.75	22.75	-1.75	-7.14	26.25	14.81	-.65	-.24	-1.27	58.26	1.70	.22 N	13.6	12.0	10.5	12.4	.50	2.2	02-25-86	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	22.38	19.50	20.25	-.75	-3.57	22.63	12.00	.46	-1.27	-.34	-7.13	.71	.10 F	16.4	22.0	17.7	28.5	.05	.2	02-24-86	38.4	6.8	7.5	.00	3.70
Bristol-Myers	BMY	76.13	70.00	70.88	-4.00	-5.34	76.13	53.63	.10	-.63	-1.08	15.48	3.86	.41 F	11.9	14.0	12.0	18.4	2.20	3.1	03-31-86	4444.0	531.4	2.5	.75	15.63
Carter-Wallace	CAR	61.88	58.25	58.75	-3.00	-4.86	62.00	31.38	.18	-.12	.64	-22.50	2.66	.86 N	32.8	21.0	5.9	16.9	.60	1.0	02-10-86	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	39.38	35.00	35.50	-1.75	-4.70	39.38	17.63	.59	-.35	-3.14	-19.00	.73	.40 N	70.2	16.0	17.4	36.6	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	14.25	12.25	12.50	-1.25	-9.09	15.63	8.50	-.39	-.80	-.45	22.36	-2.10	-2.10 F	NC	NC	-29.1	NE	.00	.0	00-00-00	62.8	-18.3	2.7	5.08	3.00
Key Pharm	KPH	18.00	16.00	16.88	.38	2.27	18.00	7.13	.41	-.35	-5.07	1.14	-.02	-.63 F	-100.0	NC	-.5	NE	.00	.0	09-09-85	152.1	-.8	3.4	2.52	1.60
Lilly Eli Co	LLY	76.25	68.63	69.88	1.63	2.38	76.25	37.50	.86	-.91	3.61	4.39	3.69	.31 F	9.2	11.0	15.8	18.9	1.80	2.6	02-07-86	3270.6	517.6	1.9	1.71	17.12
Lee Pharm	LPH	17.38	14.50	16.00	-1.00	-5.88	18.75	4.63	.22	1.45	-1.84	-5.45	.40	.17 Q	70.8	NC	6.6	39.0	.00	.0	00-00-00	12.2	.8	3.1	.00	2.49
Leiner P Nutri	PLIN	14.75	13.25	14.75	1.75	13.46	14.75	8.25	.16	2.05	4.19	6.29	.78	-.10 N	-12.5	NC	4.1	21.1	.00	.0	00-00-00	53.6	2.2	2.5	.00	4.90
Marion Labs	MKC	63.25	56.50	57.88	-5.13	-8.13	63.75	29.13	.17	-1.08	-1.03	31.45	.94	.42 S	55.3	38.0	12.2	49.0	.36	.6	03-14-86	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	177.38	158.75	163.50	2.25	1.40	177.38	98.25	.35	-1.31	2.72	-10.98	7.58	.87 F	13.0	7.0	15.2	21.6	3.60	2.2	02-27-86	3547.5	539.9	1.9	2.43	37.54
Morton Thiokol	MTI	36.13	33.75	34.13	-1.75	-4.88	40.50	29.63	-.26	.20	-.28	-38.35	2.50	.37 S	16.0	22.0	6.7	12.7	.70	2.1	02-14-86	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYLN	22.88	21.50	21.63	-.25	-1.14	26.00	13.50	1.11	-.56	1.55	-5.00	.52	.41 N	100.0	71.0	23.3	26.4	.10	.5	12-27-85	53.6	12.5	5.9	.09	1.22
Newport Pharm	NWPH	7.63	6.63	6.63	-1.13	-14.52	14.50	6.50	-.92	-1.56	-10.27	23.21	.05	-.08 N	-100.0	NC	6.7	NE	.80	12.1	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	17.00	16.00	16.25	-.50	-2.99	23.25	14.25	.04	-.63	-2.23	2.37	.47	.00 Q	.0	76.0	14.1	33.9	.00	.0	00-00-00	21.3	3.0	2.2	.92	2.33
Pfizer Inc	PFE	61.00	55.38	56.13	-2.63	-4.47	61.00	41.75	.23	-.57	-1.95	13.06	3.44	.36 F	11.7	16.0	14.4	16.3	1.64	2.9	01-27-86	4024.5	579.7	2.2	1.97	17.87
Reid Prov Labs	REID	11.00	10.50	10.88	.13	1.16	11.00	4.00	-.14	.98	-17.30	1.01	.13	.06 S	46.2	28.0	6.0	57.2	.04	.4	12-06-85	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	14.75	13.00	13.00	-1.38	-9.57	20.50	5.50	-.41	-.30	-2.74	23.97	2.53	20.97 F	NE	NC	8.7	5.1	.00	.0	11-19-84	706.1	61.4	1.7	.47	-5.23
Rorer Group	ROR	39.75	37.63	38.38	-.25	-.65	47.00	28.63	.34	.54	-1.21	-9.21	1.72	-.36 F	-17.3	2.0	10.9	22.3	1.12	2.9	02-04-86	338.1	36.8	1.9	2.18	11.07
Scherer RP Co	SCHC	12.75	12.00	12.38	-.25	-1.98	16.50	10.13	-.30	.54	2.76	3.16	-.43	-.96 N	NE	NC	-2.0	NE	.32	2.6	03-07-86	167.4	-3.4	1.7	4.07	9.72
Scher Plough	SGP	70.00	64.50	65.88	.88	1.35	70.00	42.25	.05	-.58	-.47	-1.60	3.77	.27 F	7.7	-2.0	10.0	17.5	1.80	2.7	02-03-86	1927.1	192.6	1.4	2.50	25.96
Squibb Corp	SQB	100.00	88.00	92.88	-1.38	-1.46	100.00	55.25	.19	-.50	3.71	-17.95	4.20	.52 F	14.1	25.0	11.1	22.1	1.76	1.9	02-14-86	2041.7	226.6	2.3	3.74	24.87
Sterling Drug	STY	46.00	42.50	42.75	-.88	-2.01	46.00	29.50	.20	-.41	-1.30	-4.12	1.83	-.54 F	-22.8	-1.0	6.3	23.4	1.20	2.8	02-12-86	1753.7	109.7	2.6	1.32	15.34
Syntex Corp	SYN	58.63	50.63	51.38	-6.25	-10.85	58.63	27.69	.20	-1.53	-.58	19.28	2.33	.79 S	39.3	14.0	15.8	18.3	1.20	2.3	12-16-85	948.5	150.0	2.1	2.68	9.40
Thompson Med	TM	16.38	15.00	15.50	-.50	-3.13	16.50	11.75	.10	1.23	2.19	3.79	1.18	-1.02 F	-46.4	10.0	8.1	13.1	.40	2.6	03-24-86	136.8	11.1	5.5	.00	7.43
Upjohn Co	UPJ	168.75	153.00	156.38	-3.88	-2.42	168.75	78.25	.15	-.66	1.63	4.01	5.67	.39 N	6.9	1.0	8.0	25.8	3.04	1.9	04-01-86	2179.1	173.3	1.7	12.47	37.00
Warner-Lambrt	WLA	57.88	50.75	51.50	-1.25	-2.37	57.88	33.75	.14	-.65	-1.05	-17.58	-4.05	-6.86 F	-100.0	NC	-9.9	NE	1.56	3.0	02-03-86	3200.1	-315.6	1.7	6.47	18.18

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

DRUG STORE NEWS

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PART ONE

Photos taken at Austin Drug, Long Island, N.Y.

Chain drug sales rise 11% in difficult year

Though drug store sales increased 9% to a record $47 billion in 1985, it was a difficult year. An era of easy growth and earnings ground to a halt. Most experts felt, however, that it was more of a pause than a permanent flattening of the industry's long upward growth curve.

As usual, chain drug stores fared better than independents. Chain sales rose 11% to $28.2 billion, while the 5% increase in independents' sales, to $18.8 billion, barely exceeded inflation, meaning no real growth at all in that segment.

The performance of both chains and independents was sapped by the growing retail muscle of nontraditional competitors like deep discounters; by the slowing of inflation, which in the past had provided easy sales and earnings gains, and by an overall softening in general merchandise sales.

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THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PERFORMANCE

Pharmacy was the biggest growth department in drug stores, with sales rising more than 13% in 1985.

10-year sales trends
(in billions)

Year	Total industry	% change	Total chain	% change	Total indep.	% change
1985	$47.0	9%	$28.2	11%	$18.8	6%
1984	43.2	9	25.5	12	17.7	5
1983	39.7	10	22.8	11	16.9	8
1982	36.2	8	20.5	11	15.7	5
1981	33.4	10	18.5	12	14.9	8
1980	30.3	12	16.4	16	13.9	7
1979	27.2	12	14.2	17	13.0	6
1978	24.3	10	12.1	16	12.2	4
1977	22.2	8	10.4	14	11.7	4
1976	20.5	9	9.2	14	10.7	8

Chain sales are for companies with four or more stores
Source: A. C. Nielsen Co.

Continued from page 75

Balancing these negatives was the record performance of the pharmacy department. Most drug store companies racked up double-digit gains in pharmacy, with new, more expensive drugs and overall rising drug prices contributing to the growth. The industry as a whole gained more than 13% in pharmaceutical sales. It was the biggest advance of any drug store category. (More about that next issue in the Annual Report of the Chain Drug Industry, Part II.)

Some of the pharmacy gains could be attributed to a renewed emphasis on that department, as part of a general turning back to core categories and traditional drug store strengths. Computers helped boost productivity, of course, and some of those gains have been reinvested in raising the professional consulting image of pharmacists—a harkening back to a time when "doc" the corner druggist was an expert in everything from removing foreign bodies from the eye to recommending a cure for diarrhea.

Diversification slows

The "return to basics" movement could also be seen in the move by some drug chains to jettison their diversified holdings. Rite Aid, for example, sold off Circus World, Eckerd got rid of its VideoConcepts stores, and a number of other chains dropped out of the deep discount business. Interest in auto parts stores and home health care outlets remained high, however.

While analysts were generally bullish about long-term prospects for the retail drug industry, executives of the industry themselves seemed less sanguine. A year-end survey by *Drug Store News* uncovered a pool of anxiety about the economy in general and retail prospects in particular. This, despite higher employment, lower interest rates and greater consumer buying power.

But if executives on the whole seemed less than optimistic, individual companies were plowing ahead with plans to secure deeper market penetration, to open up new markets, to upgrade their assets with store closings and remodelings, to invest in new technology and to fend off competitive thrusts with heavier promotional firepower.

Consolidation on hold

Unlike past years, 1985 was marked by an almost total absence of major mergers and acquisitions; thus, the consolidation that has marked the chain drug industry for years was put on hold.

The biggest deal of the year was Walgreens' acquisition of Ribordy Drug, hardly a buyout of the magnitude of the previous year's blockbuster deals involving American Stores and Jewel Cos., K mart and Pay Less, Kroger and Hook Drug and Imasco and Peoples.

At the beginning of this year, Thrifty picked up two California chains, Drug King and Guild Drug, but those acquisitions also could scarcely be called seismic. At presstime, industry-watchers were still awaiting word on Medi Mart, the 67-store chain that was put up for sale by its parent, Stop & Shop. Speculation focused on Walgreens, which has been eying the Northeast as a target of opportunity.

Another chain that had been offered for sale, Super D, was pulled off the block by its parent, Malone & Hyde, the Memphis-based wholesaler and retailer. Malone & Hyde could not get its price.

LBO's get hot

While acquisition fever cooled, leveraged buyouts got hot. Dart began the movement more than a year ago, when a group of company executives and employees led by Al Towle and Steve Hansbrough borrowed against the assets of the mid-Atlantic drug chain and bought out Dart's shareholders, including the Haft family, for $160 million.

The next major chain to consider the lbo route was Eckerd. Once the most profitable drug chain in the industry,

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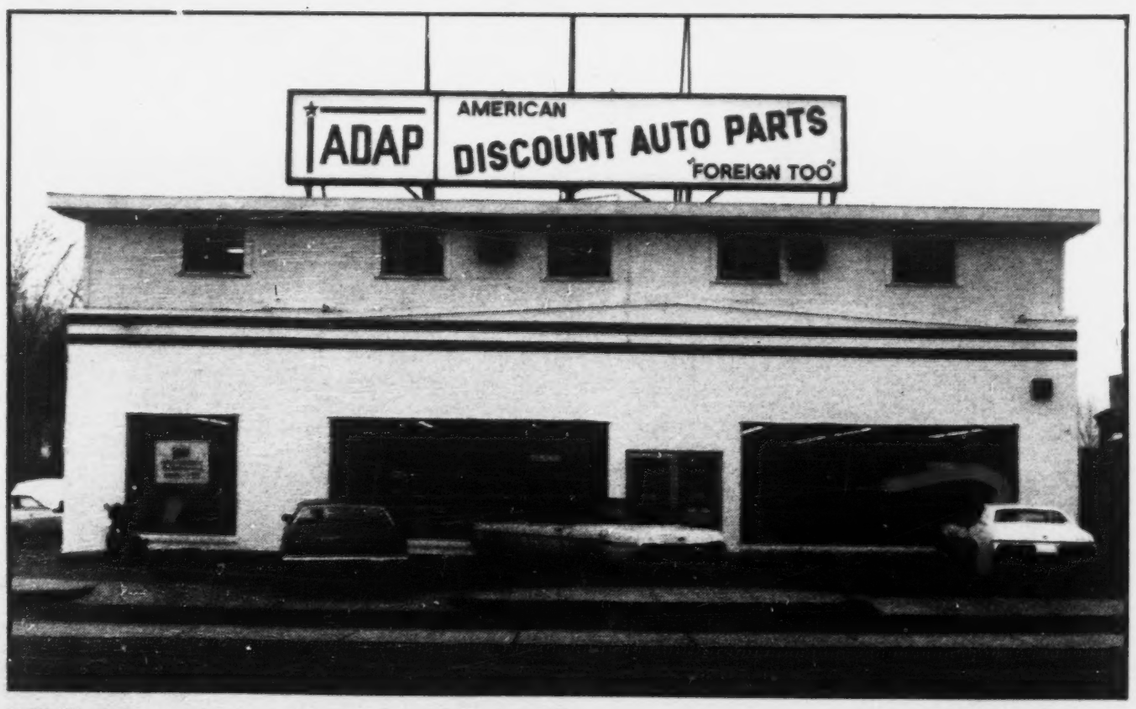
Evolving character of the chain drug industry

Chain store size	No. of companies 1975	No. of companies 1985	% change	No. of stores 1975	No. of stores 1985	% change
2-3 store companies	2,327	1,193	−49%	5,204	2,757	−47%
4-10 store companies	508	356	−30	2,656	1,982	−25
11 or more store companies	173	121	−30	10,749	16,568	54
Total no. of companies with 2 or more stores	3,008	1,607	−47	18,609	21,307	14

Source: Chain Store Guides



While some chains slowed their diversification efforts—even backing away from some ventures—auto parts remained a hot area. Above, an ADAP store operated by Rite Aid.

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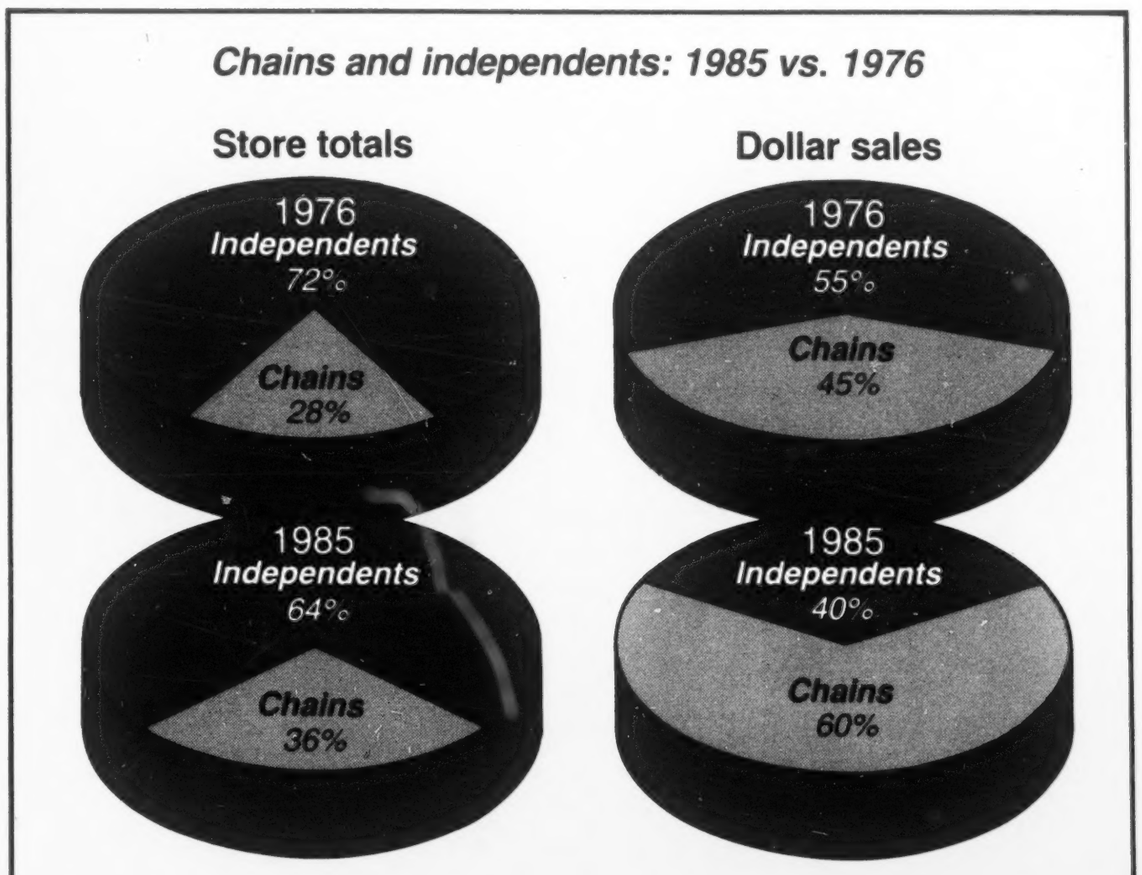
PERFORMANCE

Pay Less launched Key Drug, a downsized version of its superstore, for entry into smaller markets.



Source: A. C. Nielsen and Chain Store Guides

Continued from page 76

Eckerd fell on hard times last year. A dismal third-quarter earnings report triggered a precipitous decline in the company's stock to the low 20's.

Seizing that opportunity, the Dart Group, led by the Haft family, began to buy up Eckerd stock at what they considered an undervalued price. Whether the takeover threat was real or imaginary, Eckerd officials decided after settling with Dart to remove their vulnerability to a hostile takeover. The first plan was to find a friendly buyer, as chains like Peoples, Pay Less and Hook had done the previous year.

Failing that, they decided to buy out the company themselves. Their offer of $28 per share plus $5 per share in subordinated debentures was worth $1.2 billion, the highest price ever offered for a pure drug chain. Shareholders will meet at the end of this month to vote on the offer.

The lbo trend picked up speed after the turn of the year when a Snyder Drug management group, headed by president Don Beeler, made an offer to buy out the Midwest drug chain from the Wickes Cos.

Revco follows suit

It reached a gallop with Revco management's offer to shareholders of $33 a share plus $3 a share in preferred stock for the company's 32.3 million shares outstanding. The deal was worth $1.16 billion.

Like Eckerd, Revco had been experiencing difficulties, some of which were brought on by an internal battle with two major dissident shareholders, Bernard Marden and Isaac Perlmutter. The pair had been brought into the Revco inner circle as a result of the company's buyout of their Odd Lot closeout stores. Instead of working amicably with Revco's management, they became bitter critics. The protracted battle was finally settled with a sweetened offer to buy out the Marden-Perlmutter holdings, but it appeared to leave its mark on Revco's performance.

In the third quarter, however, Revco seemed to leave its troubles behind, as the policies of a management team headed by Sidney Dworkin and Bill Edwards began to take hold. Earnings were up 20% to $19.7 million, and the closely watched same-store sales rose 10.3%.

The Revco buyout move thus came at an opportune time of change in the chain's fortunes.

While the management of some of the nation's biggest chains were taking their companies private, others were devising new ways to expand. One method was to vary their format size to suit the characteristics of target markets.

Key and Junior

Pay Less, for example, created a new downsize version of its superstores for entry into markets too small to support a full-line Pay Less drug store. The smaller units, called Key drug stores, were an important part the chain's long-term strategy under its parent, K mart.

Longs, whose 200th store, in St. Luis Obispo, Calif., was about 10,000 sq. ft. smaller than its typical 25,000-sq.-ft. superstore, said that fitting smaller stores to smaller markets

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10-year sales share trends

Year	Total sales (billions)	Chain share	Indep. share
1985	$47.0	60%	40%
1984	43.2	59	41
1983	39.7	57	42
1982	36.2	57	43
1981	33.4	55	45
1980	30.3	54	46
1979	27.2	52	48
1978	24.3	50	50
1977	22.5	47	53
1976	20.5	45	55

Source: A. C. Nielsen Co.

10-year drug store growth trend

Year	Total stores	Chain stores	Indep. stores
1985	53,000	18,500	34,500
1984	50,709	17,677	33,032
1983	50,264	16,733	33,531
1982	49,400	16,347	33,053
1981	49,310	14,664	34,646
1980	49,192	14,815	34,377
1979	48,822	15,110	33,712
1978	49,151	14,709	34,442
1977	49,397	14,530	34,867
1976	50,719	13,998	36,721

Source: Chain Store Guides and Census Bureau

10-Year drug store share trend

Year	Chain share of stores	Indep. share of stores
1985	36%	64%
1984	35	65
1983	33	67
1982	33	67
1981	30	70
1980	30	70
1979	31	69
1978	30	70
1977	29	71
1976	28	72

Source: Chain Store Guides & Census Bureau

Eckerd backed away from American Home Video and JByrons junior department stores, but expanded Visionworks, its super eye care stores.

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Continued from page 78

might indeed be in the cards for the chain.

"Going to a smaller format is a very real possibility" in certain communities," said William Combs, vp/finance and administration. "It would not be unusual to see us opening stores as small as 12,000 to 15,000 sq. ft. of total store space."

Thrifty was another chain that embarked on a program to open smaller stores. Thrifty's move began with the purchase earlier this year of the 15-store Drug King chain. The chain became the base for a new division called Thrifty Jr., aimed, like Pay Less' Key, at smaller communities. The Drug King buyout was quickly followed by the acquisition of the 13-store Guild Drug chain, almost doubling the Thrifty Jr. base.

Dart Drug also said it would look to a new, smaller prototype of 5,000 sq. ft. as an important part of its growth strategy.

The year was also marked by aggressive expansion in the combination store and deep discount arenas. Drug chains felt the heat from both, but fought back by narrowing margins selectively and by stepping up their own entries into the deep discount market. Their moves were both offensive and defensive.

Estimates are that the deep discount market now represents about 3% of total drug store sales, but could go much higher as both the major deep discount players and others seek to expand their store counts.

Tampering terror returns

Early 1986 also brought back the specter of a nation held captive to a

Continued on page 84

Top 50 American drug chains: 1985 dollar volume

Rank	Headquarters	Drug store sales (in millions)	% change	Store totals	% change	Fiscal year ended
1. Walgreens	Deerfield, Ill.	$3,028	16	1,095	9	8/31/85
2. Revco	Twinsburg, Ohio	2,395	18	1,898	7	6/2/85
3. Osco Drug[1]	Chicago	2,281e	12	531	11	2/1/86
4. Eckerd	Clearwater, Fla.	2,130	6	1,525	7	8/3/85
5. Longs	Walnut Creek, Calif.	1,481	8	208	9	1/30/86
6. Rite Aid	Shiremanstown, Pa.	1,450	12	1,372	9	2/28/86
7. Peoples (Imasco Ltd.)	Alexandria, Va.	1,225e	11	813	8	3/31/86
8. Thrifty	Los Angeles	1,110	3	555	2	8/31/85
9. CVS (Melville Corp.)	Woonsocket, R.I.	1,017	16	592	7	12/31/85
10. Pay Less NW (K mart)	Wilsonville, Ore.	1,003e	9	183	12	1/30/86
11. SupeRx (Kroger)	Cincinnati	844e	(2)	550	(12)	12/31/85
12. Gray/Drug Fair (Sherwin-Williams)	Cleveland	672	8	437	4	12/31/85
13. Thrift (J. C. Penney)	Pittsburgh	641	9	374	0	1/28/86
14. Pay 'n Save (Trump Group)	Seattle	523e	7	108	0	11/2/85
15. Fay's	Liverpool, N.Y.	445	21	143	21	1/31/86
16. Drug Emporium	Columbus, Ohio	387e	104	90	88	12/31/85
17. Perry[2]	Pontiac, Mich.	383	32	191	31	10/31/85
18. Hook (Kroger)	Indianapolis	376e	9	328	5	12/29/85
19. Adams (MacAndrews & Forbes)	Pawtucket, R.I.	365	10	418	(1)	12/31/85
20. K & B	New Orleans	346e	5	144	7	9/30/85
21. Dart	Landover, Md.	260	16	77	(1)	7/31/85
22. Supermarkets General[3] **Drug Store Div.**	Woodbridge, N.J.	252e	58	58	18	2/2/86
23. Genovese	Melville, N.Y.	233	6	75	3	1/31/86
24. Medicine Shoppe	St. Louis	230	26	583	17	9/30/85
25. F & M	Warren, Mich.	208e	41	26	62	10/31/85
26. Synder Drug	Minnetonka, Minn.	200	14	54	0	10/31/85
27. Medi Mart (Stop & Shop)	Quincy, Mass.	162	7	67	5	2/9/86
28. Big "B"[4]	Birmingham, Ala.	150	32	126	17	1/30/86
29. Duane Reade	Long Island City, N.Y.	135	13	26	4	10/31/85
30. Rock Bottom	Port Washington, N.Y.	125e	NA	21	50	12/31/85
31. Arbor Drug	Troy, Mich.	120	26	43	8	7/31/85
32. Marc's	Cleveland	100e	NA	4	0	6/30/85
33. Super D (Malone & Hyde)	Memphis	99e	8	99	(6)	7/30/85
34. Discount Drug Mart	Medina, Ohio	87	18	20	11	3/31/86
35. Kerr	Raleigh, N.C.	85	33	49	9	6/30/85
36. Phar-Mor	Columbus	84e	NA	14	NA	6/30/85
37. Medicare-Glaser[5]	St. Louis	80	6.5	88	(1)	3/31/85
38. La Verdiere's	Winslow, Me.	79e	NA	61	5	12/31/85
39. Taylor Drugs	Louisville, Ky.	78e	4	47	2	9/30/85
40. Harco	Northport, Ala.	73	20	59	11	7/31/85
41. Rix Dunnington Corp.[6]	Auburnvale, Mass.	72	4	117	(9)	12/31/85
42. Bill's Drug	Lafayette, Calif.	70e	9	26	8	3/31/86
43. A. D. Clark	Los Angeles	68e	5	20	5	12/31/85
44. Standard	Richmond, Va.	66	5	69	13	3/31/86
45. Drug Fair of N.J. (Community Distributors)	Somerville, N.J.	64	28	28	12	7/28/85
46. Medi-Save[7]	Baton Rouge, La.	64e	21	137	0	3/31/86
47. Kinney Drug	Gouverneur, N.Y.	62	9	28	8	12/31/85
48. Begley Drug	Richmond, Ky.	55	10	43	0	3/31/86
49. Sentry Drug	Detroit	51	28	23	21	3/31/86
50. Pic 'n Save	Jacksonville, Fla.	50e	NA	40	5	
50. Wellby Super Drug (Hannaford)	Portland, Ore.	50	25	36	24	12/28/85

[1]Osco Drug does not include sales from 225 food drug combos.
[2]Perry does include sales from 61 drug store automotive combo stores.
[3]Supermarkets Drug division includes sales from 18 deep discount drug stores, but not from 123 food stores with Rx departments.
[4]Big "B" does not include sales from five food drug combo stores.
[5]Medicare-Glaser includes 56 professional pharmacy stores and 32 full-line drug stores plus sales from Medicare's Medical Service Division.
[6]Rix Dunnington Corp. has just finished consolidating its merger and will be operating on a new Jan. 31 fiscal year starting in 1986. They currently operate 45 freestanding drug stores plus 72 leased pharmacy departments in mass merchandise stores.
[7]Medi Save: 19 stores are in Medical Office Buildings, 10 are freestanding and the remaining 108 are licensed pharmacy departments in mass merchandise discount stores.

Source: Drug Store News *1986 Chain Drug Survey*

1985 Independent drug store sales
(in billions)

	$ volume	% change
High-volume independents ($500,000+)	$9.9	+14%
Middle-tier independents ($250-$500,000)	6.3	+2
Small-volume independents (under $250,000)	2.6	−8

Source: A. C. Nielsen Co.

Growth of mass merchandise stores with pharmacy departments

	1985	1984
Number of mass merchandise companies with pharmacy departments	70	74
Number of mass merchandise stores with pharmacy departments	2,124	1,908

Source: Lebhar-Friedman Chain Store Guides

Top Canadian drug chains

Company	Headquarters (parent)	Drug store sales latest fiscal year (in millions Canadian)	% change	Store totals	% change	Fiscal year ended
1. Shoppers Drug Mart (Imasco Ltd.)	Toronto	$1,600e	19%	435	5%	3/31/86
2. Pharm-Escomptes Jean Coutu	Longeuil	495	15	100	10	5/31/86
3. Boots (Boots United Kingdom)	Toronto London	315e	5	182	0	12/31/85
4. Big "V"	London, Ont.	148	19	79	11	9/30/85
5. Kent Drug	Mississauga, Ont.	80e	11	72	1	1/25/86

Source: Drug Store News *Chain Drug Survey*

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PERFORMANCE

Mass merchandisers with pharmacies

Company	Headquarters	Total stores	Number of stores with Rx depts.	% of total stores Rx depts.
K mart	Troy, Mich.	2,062	1,008	49%
Wal-Mart	Bentonville, Ark.	757	444	59
Fred Meyer	Portland, Ore.	92	90	98
Gemco (Lucky Stores)	Dublin, Calif.	80	80	100
Venture	St. Ann, Mo.	58	48	83
Howards	Monroe, La.	87	26	30
T.G. & Y.	Oklahoma City	476	25	5
Pamida	Omaha, Neb.	163	23	14
Target	Minneapolis, Minn.	230	17	7
Cook United	Maple Heights, Ohio	41	11	27
Fedco	Santa Fe Springs, Calif.	8	8	100
Gold Circle	Worthington, Ohio	45	8	18
Ames	Rocky Hill, Conn.	309	11	4

Source: *Drug Store News* survey

Chain drug store remodels

Company	1984	1985	1986E
Revco	234	277	255
Peoples	80	80	110
Rite Aid	150	150	100
Walgreens	46	61	70
Shoppers Drug Mart	50	55	60
Gray Drug Fair	69	20	59
Medicine Shoppe	26	25	30
Supermarkets General Drug Store Div.	n.a.	n.a.	21
Hook	14	22	20
Big B	n.a.	17	17
Taylor	15	20	10
Genovese	6	8	10
Fays	7	6	8
Longs	6	6	6
Sentry	2	6	6
Bartell	0	4	5
Bills	3	3	4
Duane Reade	3	3	4
Kinney	2	2	2
Page	6	6	1
White	2	2	1
Thrifty	49	30	n.a.
Adams	45	50	n.a.
Thrift	27	25	n.a.
Pay Less NW	14	8	n.a.
Medicare-Glaser	12	16	n.a.

Source: *Drug Store News* survey

Average chain drug store performance

Company	Store size	Sell space	Sales per store	Sales per sq. ft.
Duane Reade	5,000	$ 4,500	$5.0M	$1,100
Shoppers Drug Mart	7,200	6,000	3.7M	624
Medicine Shoppe	1,040	640	432,000	447
Longs	26,000	16,900	7.1M	400
Fay's	15,000	11,000	3.4M	309
Genovese	11,500	10,500	3.2M	304
Walgreens	12,000	10,000	2.8M	303
Perry	10,000	9,000	2.0M	255
Gray Drug Fair	11,900	8,900	1.52M	170
Peoples	12,500	10,000	1.6M	170
Rite Aid	6,500	6,000	1.0M	165
K & B	15,000	n.a.	2.4M est.	160
Hook	7,500	n.a.	1.1M est.	152est.

Source: *Drug Store News* chain drug survey

Top 50 American drug chains: 1985 store totals

Rank	Headquarters	Total stores 1985	% change vs. year ago
1. Revco	Twinsburg, Ohio	1,898	7%
2. Eckerd	Clearwater, Fla.	1,525	7
3. Rite Aid	Shiremanstown, Pa.	1,372	9
4. Walgreens	Deerfield, Ill.	1,095	9
5. Peoples (Imasco Ltd.)	Alexandria, Va.	813	8
6. CVS (Melville Corp.)	Woonsocket, R.I.	592	7
7. Medicine Shoppe	St. Louis	583	17
8. Thrifty	Los Angeles	555	2
9. SupeRx (Kroger)	Cincinnati	550	(12)
10. Osco Drug (American Stores)	Chicago Salt Lake City	531	11
11. Gray Drug Fair (Sherwin-Williams)	Cleveland	437	4
12. Adams (MacAndrews & Forbes)	Pawtucket, R.I.	418	(1)
13. Thrift (J. C. Penney)	Pittsburgh	374	0
14. Hook (Kroger)	Indianapolis	328	5
15. Longs	Walnut Creek, Calif.	208	9
16. Perry[1]	Pontiac, Mich.	191	31
17. Pay Less NW (K mart)	Wilsonville, Ore.	183	12
18. K & B	New Orleans	144	7
19. Fay's	Liverpool, N.Y.	143	21
20. Medi-Save[2]	Baton Rouge, La.	137	0
21. Big "B"[3]	Birmingham, Ala.	126	17
22. Rix Corp.	Auburnvalem, Mass.	117	(9)
23. Union Prescription Centers	Milwaukee	108	(2)
23. Pay 'n Save (Trump Group)	Seattle	108	0
24. Super D (Malone & Hyde)	Memphis	99	(6)
25. Drug Emporium	Columbus, Ohio	90	88
26. Medicare-Glaser[4]	St. Louis	88	(1)
27. L. F. Widmann	McElhattan, Pa.	79	(5)
28. Dart	Landover, Md.	77	(1)
29. Genovese	Melville, N.Y.	75	3
30. Standard	Richmond, Va.	69	13
31. Medi Mart (Stop & Shop)	Quincy, Mass.	67	5
32. La Verdiere's	Winslow, Me.	61	5
33. Harco	Northport, Ala.	59	11
34. Supermarkets General Drug Division[5]	Woodbridge, N.J.	58	18
35. Snyder	Minnetonka, Minn.	54	0
36. Kerr	Raleigh, N.C.	49	9
37. Taylor Drugs	Louisville, Ky.	47	2
38. Arbor Drug	Troy, Mich.	43	8
38. Begley Drug	Richmond, Ky.	43	0
39. True Quality	McKinney, Tex.	41	
40. Pic 'n Save (National Merchandise)	Jacksonville, Fla.	40	5
41. Bee Discount	Hillside, Ill.	39	
42. Wellby Super Drug	Portland, Me.	36	24
43. Kinney Drug	Gouverneur, N.Y.	28	8
43. Drug Fair of N.J. (Community Distributors)	Somerville, N.J.	28	12
43. Thayer	Stoughton, Mass.	28	
44. Bartell Drug	Seattle, Wash.	27	4
45. Duane Reade	Long Island City, N.Y.	26	4
45. Bills Drug	Lafayette, Calif.	26	8
45. F & M	Warren, Mich.	26	62
46. Peterson Drug	Oakfield, N.J.	24	
46. White Drugs	Jamestown, N.D.	24	(8)
47. Sentry Drug	Detroit	23	21
48. Thrifty Drug	St. Louis Park, Minn.	22	
49. Rock Bottom (Courtesy Drug)	Port Washington, N.Y.	21	50
50. A. D. Clark	Los Angeles	20	5
50. Discount Drug Mart	Medina, Ohio	20	11
50. Pill n Puff	Milwaukee	20	

[1]Perry numbers include 60 combo drug automotive stores.
[2]Medi-Save has 108 licensed pharmacies in mass merchandise stores plus 19 stores in medical office buildings and 10 freestanding drug stores.
[3]Big "B" numbers do not include five food drug combo stores.
[4]Medicare-Glaser includes 56 professional pharmacy stores and 32 full-line drug stores.
[5]Supermarkets General includes freestanding Pathmark, Heartland and Pharmacity drug stores, not the 123 pharmacies in food drug combo stores.
Source: Drug Store News *1986 Chain Drug Survey*

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pathological killer bent on poisoning the country's supply of over-the-counter medications, particularly capsules.

The death of a 23-year-old New York woman from a cyanide-laced Extra Strength Tylenol in February brought back the still unsolved tragedy of 1982, when seven people died after taking Tylenol capsules laced with cyanide.

Following the discovery of more tainted capsules, J&J, which manufactures Tylenol, announced it would relinquish its entire capsule business—a $150 million decision.

Only a few weeks later, another popular OTC medicine was a victim of random terror, when capsules of the cold remedy Contac were found laced with warfarin, a rat poison. Contac's maker, SmithKline Beckman, immediately announced that it would recall all Contac, Teldrin and Dietac products. The recall cost the company $8 million.

For J&J, the tampering tragedy was a giant blow, because the company had spent $60 million to reinforce Tylenol's market share after the 1982 tragedies. At the time the latest incident occurred, J&J's Tylenol had finally reached its pre-1982 market share, capturing about 33% of the $1.6 billion OTC analgesic business.

J&J's decision to withdraw from the capsule business sent shock waves through the entire industry and called into question the safety of capsules as a viable dosage form.

The safety issue was especially agonizing since J&J had packaged Tylenol in a triple-sealed package after 1982.

However, despite such precautions, industry observers stressed that there is no such thing as a tamper-proof package.

The Proprietary Association, a consortium of over-the-counter manufacturers, maintained it would not pull out of the capsule business. And many individual manufacturers have not made any announcement that they would follow J&J's example.

Nevertheless, many companies are bringing out caplet forms of medications once offered only as capsules. J&J took the lead with its caplet form of Tylenol, and American Home Products is reportedly bringing Anacin and Anacin-3 out in caplets. Moreover, many retailers are introducing caplet forms of analgesics in their private-label lines.

Many companies are also contemplating using new technologies to make hard-shell capsules more "tamper-evident," to ensure that tampering would be immediately obvious. These technologies include using ultrasonic seals to weld together two-piece capsules.

The chain invasion of the deep discount business heated up in 1985. Above, Peoples' Bud's.

Retail diversification areas for major drug chains

Company	Types of stores	No. of units '85	No. of units '86
Walgreens	Home health	3	5
	Restaurants	85	94
	Deep discount/(Ribordy Drug)	0	2
Eckerd	Home health	6	6
	Eye care superstores	2	5
	Optical	152	135
Revco	Closeout stores	100	150
	Deep discount drug	1	3
Rite Aid	Discount auto parts	30	25
	Home health	0	5
	Deep discount drug	2	20
	Book stores	0	15
Thrifty	Sporting goods	71	86
	Restaurants	23	0
	Discount book stores	171	184
	Discount auto parts	43	64
Perry	Auto parts	110	176
	Drug/auto combos	65	61
	Deep discount drug	3	4
	Home health	2	5
Pay Less NW	Deep discount drug	3	
Peoples	Deep discount drug	1	5
	Hardee's hamburger franchises	2	
	Home health	4	4
	Optical stores/freestanding	3	5
	Eye care superstore	0	1
	Card/gift shoppes	4	5
Begley	Home health care	3	6
	Dry cleaning stores	131	131
Big "B"	Home health	4	6
	Food drug combos	5	5
SupeRx	Deep discount drug	12	21
Hook	Home health	12	16
Fay's	Auto parts	1	8
	Stationery	1	4
Medicare Glaser	Optical	12	12
	Home health	1	1
Gray/Drug Fair	Deep discount drug	3	3
Dart	Deep discount drug	5	5

Source: *Drug Store News* chain drug survey

Chain drug stocks hold their own in market

Although hard times hit many of the leading public companies last year, the overall chain drug stock market performance held up reasonably well.

The chain drug stock index underperformed the market as a whole, but a number of companies managed substantial increases in the net worth of their investors' holdings.

The value of Perry's stock, for example, rose almost 48% on a year-to-year basis, while Big "B" stock was up almost 43%. Other chains whose per-share price increased substantially were Longs (up 38.4%), Walgreens (25%) and Thrifty (24.5%).

Two companies whose earnings fell off last year, Fay's and Genovese, were the only chains whose shares declined in value from 1984 to '85. Genovese was off 12.7% and Fay's 13.6%.

In recent months, however, both chains have experienced a gain in the value of their stock. Fay's was up 14% to $10 a share on April 7 from a year-end close of $8.75, while Genovese's per-share price rose 19% to $13.25 during the same period.

The reason: Both chains seemed poised for a run-up in their earnings after a period of difficulty. Fay's placed itself in a favorable position by refusing to pull in its horns at a time of perilous margin pressures. Genovese, for its part, pulled back from northern Connecticut and Massachusetts to concentrate on building its strength in the New York metro and Long Island markets, and it also solved many distribution problems that followed the opening of a new warehouse.

But part of the reason for the price increase may be Wall Street speculation that the two companies are potential merger candidates.

Other chains whose stock prices posted increases from year-end 1984 to '85 were Eckerd (up 7.4%), Medicare Glaser (up 12.5%), Revco (up 5.7%) and Rite Aid (up 2%).

The Eckerd price increase to $30.88 at year end, of course, was the result of the leveraged buyout offer by the company's management of $33 a share, $28 in cash and $5 in subordinated debentures.

1985 chain drug stock performance

Company	1985 stock prices High	Low	Last	'85% Change	Year-end '85 P/E	Year-end '84 P/E	4/7/85 Price
Begley	$17.63	$15.00	$16.25	+ 4.8	12.2	12.8	$21.50
Big "B"	19.50	10.75	15.50	+42.5	21.5	18.4	14.63
Eckerd	32.88	20.00	30.88	+ 7.4	NE*	12.4	30.88
Fay's	13.00	8.00	8.75	−13.6	25.7	15.3	10.00
Genovese	15.88	9.13	11.13	−12.7	10.1	12.4	13.25
Longs	31.75	21.69	30.63	+38.4	15.9	12.2	31.50
Medicare Glaser	6.25	4.00	4.50	+12.5	90.0	11.4	4.50
Perry	18.75	10.75	17.13	+47.7	17.5	13.6	15.50
Revco	29.50	23.13	25.50	+ 5.7	31.9	9.6	33.75
Rite Aid	33.50	21.50	25.88	+ 2.0	15.1	16.1	28.25
Thrifty	25.38	18.13	24.75	+24.5	15.5	14.2	18.13
Walgreens	30.25	21.50	28.13	+25.0	18.4	16.2	31.88

*NE—Negative earnings
Source: Media General

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Total corporate sales
(add 000,000)

Company	FY ends	'85	'84	'83	'82	'81
1. Walgreens	8/31/85	$3,162	$2,745	$2,360	$2,039	$1,743
2. Eckerd*	8/3/85	2,509	2,212	1,975	1,788	1,580
3. Revco	6/1/84	2,396	2,228	1,792	1,554	1,310
4. Rite Aid**	2/28/86	1,564	1,360	1,223	1,049	1,066
5. Longs	1/30/86	1,480	1,376	1,214	1,223	1,005
6. Thrifty	8/31/85	1,405	1,299	1,187	1,126	1,054
7. Perry	10/31/85	522	373	285	244	192
8. Fay's	1/31/86	455	367	312	270	238
9. Genovese	1/31/86	233	220	193	158	134
10. Big "B"	1/30/86	150	148	116	87	N.A.
11. Medicare-Glaser	3/31/85	82	77	69	57	N.A.
12. Begley	3/31/85	66	61	56	49	47

*Continuing operations (prior years have been restated)
**Continuing operations (1985 and 1984 have been restated)

Drug store units

Company	'85	'84	'83	'82	'81
1. Revco	1,898	1,778	1,661	1,593	1,514
2. Eckerd	1,525	1,423	1,319	1,238	1,135
3. Rite Aid	1,372	1,275	1,148	1,055	963
4. Walgreens	1,095	1,002	941	833	821
5. Thrifty	555	542	537	533	534
6. Longs	208	191	178	173	162
7. Perry	191	146	122	125	117
8. Fay's	143	125	102	92	84
9. Big "B"	126	114	99	83	NA
10. Medicare-Glaser	88	101	101	89	NA
11. Genovese	75	77	72	66	61
12. Begley	43	45	43	47	51

Sales per average store
(add 000)

Company	'85	'84	'83	'82	'81
1. Longs	$7,115	$7,203	$6,823	$6,493	$6,206
2. Fay's	3,112	2,934	3,062	2,938	2,836
3. Genovese	3,107	2,861	2,691	2,404	2,199
4. Walgreens	2,765	2,609	2,379	2,179	1,911
5. Perry	2,005	1,983	2,012	1,954	1,641
6. Thrifty	2,000	1,987	2,210	2,113	1,975
7. Eckerd	1,397	1,578	1,521	1,462	1,413
8. Begley	1,279	1,022	1,010	802	712
9. Revco	1,262	1,253	1,079	976	866
10. Big "B"	1,190	1,299	1,182	1,053	NA
11. Rite Aid	1,057	1,017	1,066	938	871
12. Medicare-Glaser	909	760	690	651	NA

Sales per store reflect averages for drug stores only

Net-to-sales ratio

Company	'85	'84	'83	'82	'81
1. Rite Aid*	4.3%	4.8%	5.1%	4.8%	3.7%
2. Walgreens	3.0	3.1	3.0	2.7	2.4
3. Thrifty	2.8	2.1	1.9	1.6	1.7
4. Longs	2.5	2.9	3.0	2.8	3.0
5. Big "B"	2.3	2.9	3.0	2.9	N.A.
6. Eckerd*	2.3	3.3	3.3	3.4	4.5
7. Perry	1.8	2.1	1.6	1.2	1.8
8. Revco	1.6	4.2	3.7	3.2	3.4
9. Begley	1.4	1.2	1.4	0.5	1.7
10. Genovese	1.2	1.9	2.0	1.7	1.3
11. Fay's	0.6	2.4	2.6	2.0	1.3
12. Medicare-Glaser	0.2	3.8	1.4	0.1	N.A.

*Reflects continuing operations

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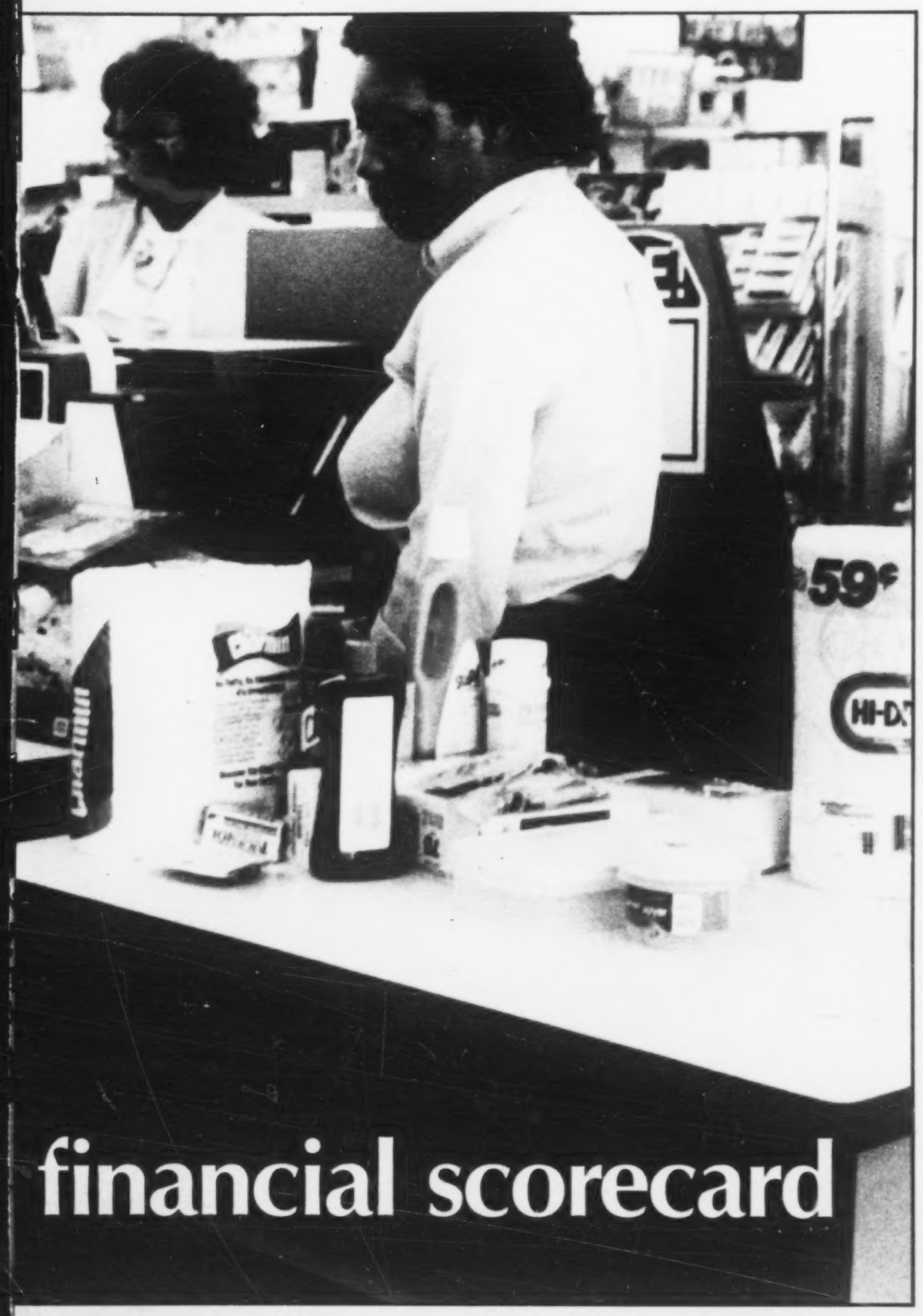

financial scorecard

Net income
(add 000)

Company	'85	'84	'83	'82	'81
1. Walgreens	$94,169	$85,446	$69,789	$56,064	$42,127
2. Rite Aid	62,547	69,936	62,167	49,885	39,852
3. Eckerd	58,373*	85,374	71,731	70,681	78,510
4. Revco	38,906	93,411	66,470	49,638	45,129
5. Longs	37,700	40,094	36,387	30,890	30,274
6. Thrifty	32,891	27,921	22,503	18,302	17,752
7. Perry	9,575	7,650	4,545	2,868	3,369
8. Genovese	2,900	4,137	3,856	2,646	1,780
9. Fay's	2,787	8,679	8,103	5,479	3,071
10. Big "B"	4,039	4,442	3,471	2,541	N.A
11. Begley	695	733	807	229	798
12. Medicare-Glaser	161	1,104	970	76	N.A.

*Continuing operations

Gross margin %

Company	'85	'84	'83	'82	'81
1. Begley	38.0%	33.9%	33.4%	31.0%	32.0%
2. Medicare-Glaser	34.1	34.2	33.1	33.2	N.A.
3. Perry	31.7	31.1	29.9	29.8	29.8
4. Walgreens	30.7	30.7	30.6	30.5	29.3
5. Big "B"	29.2	29.3	29.8	29.6	N.A.
6. Genovese	29.0	29.7	29.9	29.9	29.8
7. Rite Aid	28.7	29.3	28.2	27.1	22.6
8. Thrifty	28.2	28.6	28.2	27.9	27.4
9. Eckerd	27.7	29.4	28.3	28.7	29.3
10. Revco	25.1	28.1	27.4	27.0	26.7
11. Longs	24.2	24.0	24.6	24.1	24.1
12. Fay's	23.7	25.5	25.6	24.9	25.3

Expense ratio*

Company	'85	'84	'83	'82	'81
1. Longs	19.3%	—	—	—	—
2. Rite Aid	19.5	17.5%	19.9%	16.2%	13.7%
3. Fay's	20.8	20.2	19.5	19.4	21.0
4. Thrifty	21.6	20.8	22.3	22.4	21.8
5. Revco	21.7	19.1	19.0	19.6	19.3
6. Eckerd	22.4	21.5	21.0	21.1	20.6
7. Walgreens	24.2	24.1	24.4	25.1	25.0
8. Big "B"	24.2	23.2	23.7	24.1	N.A.
9. Perry	27.8	26.2	25.9	26.1	25.5
10. Genovese	28.1	24.7	25.0	25.3	26.0
11. Medicare-Glaser	32.9	28.9	28.3	30.1	N.A.
12. Begley	47.2	44.8	42.7	37.8	40.1

*Excludes depreciation and amortization costs

Return on investment %

Company	'85	'84	'83	'82	'81
1. Walgreens	21.0%	22.3%	21.4%	18.7%	16.8%
2. Thrifty	19.1	19.3	17.4	15.0	15.0
3. Rite Aid	16.6	20.6	21.3	19.1	18.3
4. Longs	13.5	—	—	—	—
5. Perry	13.3	12.7	11.5	11.2	14.4
6. Big "B"	12.5	15.9	14.6	11.5	N.A.
7. Genovese	12.1	19.3	21.3	16.1	12.6
8. Revco	8.6	22.7	20.2	17.4	18.3
9. Begley	7.1	7.5	8.6	2.5	8.1
10. Fay's	4.6	15.6	20.8	23.4	14.7
11. Medicare-Glaser	*	27.9	21.6	1.8	N.A.
12. Eckerd	**	14.4	13.1	13.3	16.8

*Less than 1%
**Reported net loss for FY-1985

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PERFORMANCE

Deep discounters corner 3% of industry sales

The jury may still be out on deep discount drug stores, but it's becoming clear that the verdict will be favorable.

The past year was marked both by unprecedented growth in what's been called the hottest trend in the retail drug industry in 20 years and the first signs that the deep discount industry may be headed for a shakeout.

According to a *Drug Store News* survey, the number of stores has more than doubled, and the dollar volume of sales has nearly tripled in the two years since the deep discount field began booming. For example, since 1983, the number of deep discount outlets has jumped from 140 to 300, and sales volume has increased from $631 million to $1.5 billion. Deep discount volume now represents about 3% of total drug store industry sales.

The strong growth pattern clearly demonstrates that deep discounting is more than the fad some traditional drug store operators had hoped it would be, but the relative infancy of the phenomenon—75% of all deep discount drug stores are less than five years old—makes it difficult for analysts to assess the long-term outlook.

Most operators claim it takes a full five years for a deep discount store to realize its maximum return; thus sales figures—for the stores that survive—can be expected to improve as the industry matures. However, drug industry observers estimate that currently, only about 25 stores have sales in excess of $10 million, 75 are doing business in the $6 million-$7 million range, and the remainder are doing $6 million or less. The break-even point is pegged at somewhere between $2 million and $5 million annually.

Although most of the recent activity on the deep discount front has been bullish; last year, three conventional chains that experimented with the deep discount concept abandoned their efforts after just six months: Medicare-Glaser shut down its MEGS, American Stores closed its FAD, and Fay's its Jay-Jays. More recently, Safeway Stores began shutting down its Drugs For Less operation because of inadequate return.

Stiff competition

The closing of these stores underscores the increasing complexity of deep discounting. In the days when a couple of entrepreneurs pioneered the concept, it took little more than a decent location, good prices and a couple of hand-lettered signs to buy success. Today, however, with stiff competition from both the growing field of deep discounters and from conventional drug stores who welcome newcomers to their market with price-busting sales of their own, deep discounters face an uphill battle from the start.

Nonetheless, an increasing number of chains are jumping on the deep discount bandwagon, and a number of well-established deep discounters are expanding operations.

Recent developments

The following developments highlighted the past year:

- Drug Emporium, the nation's largest chain of pure deep discounters, continued its rapid expansion, growing from 47 stores in 1984 to close to 100 by the end of 1985. President Philip Wilber projects 200 stores by the end of 1986.
- F&M, the second largest deep discount chain, grew to 26 stores in 1985, and the company's new president and ceo, Frank A. Newman, announced intentions to expand to 100 stores by 1990. Newman said he had no plans to change F&M's basic operations. All stores are company-operated, and F&M is one of the few deep discount chains to warehouse merchandise and refrain from advertising beyond opening promotions.
- Supermarkets General, operators of Pathmark, purchased the New England chain of Heartland deep discount stores last year and added two additional Pathmark Super Drug Stores to its deep discount effort in the Baltimore area. The company plans to open seven additional deep discount drug stores as part of its $200 million companywide expansion plan.
- SupeRx became the nation's fourth largest operator of low-price retail drug stores with the opening of four new Drug World stores in the St. Louis area on the same day last May and the acquisition of five Warehouse Drug outlets from Mi-Lo of Fort Mitchell, Ky.
- Phar-Mor, a Columbus, Ohio-based deep discount chain that didn't exist four years ago, finished out 1985 with 20 stores and an estimated $120 million in sales.
- Melville, which became the first major chain to purchase an existing deep discount store when it acquired Freddy's in Rochester, N.Y., in 1984, has committed to fund a swift expansion program. The company has opened seven new stores in New York and Florida and plans five more this year.
- Mi-Lo, which sold five Warehouse Drug units to SupeRx, is being dissolved with the retirement of its president and re-established as a deep discount operation, owned and operated by its former managers and stockholders. The new company, known as Deep Discount Drugs, is beginning operations with five outlets.
- Rock Bottom announced plans to open 10 new stores during the next two years, which would bring its total store count to 35. Its president, Richard Otto, wants to "saturate" the New York metro market with deep discount stores.

Howie's opened two stores

- Howie's, a Canadian deep discount drug chain operated by Shoppers Drug Mart, simultaneously opened two stores in Windsor, Canada, bringing its total to five stores.

Top 20 deep discounters

Company (parent)	Headquarters	$ sales	% change	Stores	% change
1. Drug Emporium	Worthington, Ohio	$387*	104%	90	88%
2. F & M	Warren, Mich.	208e	41	26	62
3. Rock Bottom	Port Washington, N.Y.	125e	NA	21	50
4. Heartland (Supermarkets General)	North Billercia, Mass.	112e	NA	14	NA
5. Marc's	Cleveland	100e	NA	4	NA
6. Phar-Mor	Columbus, Ohio	84e	NA	14	NA
7. Drug World (SupeRx)	Cincinnati	60e	NA	16	128
8. Howie's/Carnevale (Shoppers Drug Mart)	Toronto	45e	NA	7	NA
9. Freddy's (Melville Corp.)	Woonsocket, R.I.	43e	87	7	250
10. Drugs For Less (Safeway)	Los Angeles	40	NA	13	NA
11. Warehouse Way	Detroit, Mich.	35e	5	7	0
12. Drug Palace (Rite Aid)	Shiremanstown, Pa.	34e	62	12	50
13. Drug Castle	Springfield, Ohio	32e	113	9	80
14. Cost Cutters (Community Distributors)	Somerville, N.J.	32e	NA	7	NA
15. Pathmark (Supermarket General)	Edison, N.J.	26e	NA	4	NA
16. Jax's (Fisher Foods)	Cleveland	19e	6	2	0
17. Valu Giants (Pay Less NW)	Wilsonville, Ore.	18e	5	3	0
18. Total Plus (Dart)	Landover, Md.	15e	5	5	0
18. A. L. Price (Perry Drug)	Detroit, Mich.	15e	19	4	33
18. Cecille's	Detroit, Mich.	15e	9	1	0
19. Ike's (Malone & Hyde)	Memphis	14	8	2	0
19. Dot (Wal-Mart)	Bentonville, Ark.	14	18	2	0
19. Bud's (Peoples)	Alexandria, Va.	14e	17	3	50
20. Get It For Less (Revco)	Twinsburg, Ohio	13e	10	3	0

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PERFORMANCE

Combos accelerate in one-stop shop push

Beefing up nonfoods fattens gross margins

The food/drug combo, now in full bloom, is the culmination of a decade of ever-tightening food competition.

The food chains' initial response to receding gross margins was to open larger supermarkets with beefed up nonfoods, because nonfoods offered a richer profit mix. Thus, nonfood space in supermarkets rose from 5% to 10% in conventional food stores to as much as 30% in superstores.

In their desire for one-stop shopping, food operators also added pharmacies on a selective basis.

So it was inevitable that the next phase in the evolution would be the food/drug combo: putting the best of both entities under central checkout. And it worked. While accounting for only one-third of the sales, the drug side delivered two-thirds of profits.

Although this simple ratio may have been discovered by many retailers, the man who acted on them with the most alacrity and single-minded determination was Sam Skaggs, chairman of American Stores. So much so, that American—operating both freestanding drug and food stores and food/drug combos—has indicated it will build only food/drug combos in the future.

Smith's Management Corp., headquartered in Salt Lake City, which operated conventional food stores for years, has emulated American in building only combos.

And Florida-based Publix Supermarkets, the nation's 10th-largest food chain, will not open any more conventional supermarkets—only superstores and combos.

Florida is a microcosm of the combo as a vital marketing force that is draining sales from supermarkets and drug stores alike.

As a result of the Skaggs-Albertson partnership, Albertsons was there first and, with 52 combos, dominates the state. That dominance is now being challenged by Family Mart (a division of A&P), Kash 'N Kary [Lucky], Winn-Dixie—and now Publix.

The entry of Publix, which will open six food/drug combos this year, will be closely watched by food and drug operators. Publix's food stores emphasize service, selection, and good housekeeping. If Publix transfers these intrinsic qualities to its food/drug combos—as expected—then it will quicken the trend to segmentation of the combo at two levels: upscale and discount.

Service image

The champion of upscale is Tom Thumb/Page, Dallas. This chain has managed to build a service image in a fiercely competitive market and still impact a price-value image.

Albertson's, after giving up its Dallas combos when the Skaggs-Albertson partnership was dissolved in the 70's, re-entered the marketplace and surprised competition by going to discount pricing. Tom Thumb/Page responded by reducing prices on 5,000 gm/otc items and announcing 10% off on all cosmetics.

Cosmetics is typical of the chain's high service level. There are two cosmeticians on each shift, and cosmeticians dress differently from other clerks, making them instantly identifiable.

When Pantry Markets, Tom Thumb/Page's sister division in southern California, opened a 40,000-sq.-ft. food/drug combo in Orange County in 1985, the theme was also upscale—wider aisles, a more expansive concourse, and gourmet lines. The upgraded approach also extends to pharmacy.

Acquiring sites

Looming on the horizon is further upscaling into the gourmet food/drug combo. Tom Thumb/Page wants to expand its Simon David concept—in fact, acquiring sites is the real estate department's No. 1 priority.

To date, however, sites have proved to be the No. 1 stumbling block. The dilemma: The location must be in a high-income area, but land to support a 50,000-sq.-ft. combo is not only scarce but extremely expensive.

The reason Tom Thumb/Page is primed for expansion of Simon David is the success of its 33,000-sq.-ft. Dallas showpiece. At ground level are service deli, meat, bakery, produce and dry grocery; on the upper level are service candy, FTD florist, cafe (with pastry chef), pharmacy, and H&BA.

"We are people-oriented," says Bob Wieck, pharmacy manager. "Our pharmacist makes personal contact with every patient on every script."

In a 50,000-sq.-ft. Simon David module, H&BA and dry grocery will be expanded, and gourmet housewares will be added.

On the flip side of upscale combos are the discount combos. A prime example is Sack 'n Save, operated by Minyard Food Stores. Two 70,000-sq.-ft. combos—with discount foods alongside discount drugs—are finding a niche in Waco and Dallas.

But variations of the two types (upscale and discount) are preventing polarization. Typical is Vons Pavilion, a 75,000-sq.-ft. hybrid combo unveiled in Garden Grove, Calif., last year.

Vons' approach

Vons injected a fresh approach to one-stop shopping by offering staple drugs and groceries at discount prices in an environment of palate-pleasing departments.

To date, the concept has worked. Even though the first Pavilion is located in a low/middle-income area, it is drawing from high-income Orange County residents on the outskirts.

Supermarket chains with pharmacies

Company headquarters	Total stores	No. of stores with Rx depts.	% of total stores with Rx depts.
1. Kroger, *Cincinnati, Ohio*	1,363	570	42%
2. Safeway, *Oakland, Calif.*	1,856	426	23
3. American Stores, *Salt Lake City*	1,493	225	15
4. Albertson's, *Boise, Idaho*	435	155	36
5. Supermarkets General food stores++ *Woodbridge, N.J.*	181	123	68
6. Giant Food+, *Landover, Md.*	137	78	57
7. Shop Rite (Wakefern Foods) *Elizabeth, N.J.*	190	70	37
8. Lucky Stores, *Dublin, Calif.*	580	67	12
9. Smiths Management, *Salt Lake City*	90	65	72
10. H. E. Butt, *Corpus Christi, Tex.*	146	64	44
11. Raley's, *Sacramento, Calif.*	50	46	92
12. Von's Value Centers, *El Monte, Calif.*	178	37	21
13. Tom Thumb/Page (Cullum) *Dallas, Tex.*	67	32	48
14. Farm Fresh, *Norfolk, Va.*	39	30	76
15. Wegman's, *Rochester, N.Y.*	36	29	81
16. A&P Family Marts food/drug combos *Clearwater, Fla.*	28	28	100
16. Furr's Inc., *Lubbock, Tex.*	130	28	22
17. Grand Union, *Elmwood Park, N.J.*	375	27	7
17. Randall's, *Houston, Tex.*	33	27	82
18. Smitty's Super Valu, *Phoenix, Ariz.*	22	18	82
19. Rosauers, *Spokane, Wash.*	24	15	63
20. Erickson's Foods Inc., *Hudson, Wis.*	15	14	93
21. Carr's Quality Centers *Anchorage, Alaska*	13	13	100
21. Dahl's Food Markets, *Des Moines, Iowa*	13	13	100
21. Stop 'n Shop, *North Quincy, Mass.*	114	13	11
22. A&P Supermarkets, *Montvale, N.J.*	861	12	1
23. Bruno Inc., *Birmingham, Ala.*	94	11	12
24. Foodway Inc., *Fayette, Ala.*	29	10	34
25. Sack 'n Save (Minyard's), *Coppel, Tex.*	8	8	100
26. Giant Open Air, *Norfolk, Va.*	23	5	22
26. Dierberg, *Chesterfield, Mo.*	10	5	50
26. Big "B," *Birmingham, Ala.*	5	5	100
27. Sentry Markets, *Waukesla, Wis.*	88	3	3
27. Randall's, *Mitchell, S.D.*	22	3	14
28. Smithy's, *Springfield, Mo.*	3	2	67
29. Roundy's, *Pewaukee, Wis.*	37	1	3

Kroger is the leading food/drug combo operator in the country.

	1985	1984
Number of supermarket companies with pharmacy departments	238	237
Number of supermarket stores with pharmacy departments	1,702	1,501
Number of food/drug combination stores	1,182	NA

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PERFORMANCE

Chains are big on high-tech warehouses

Chain drug store operators zipped into the space age during the past year as they added state-of-the-art technology to their warehouses.

Many leading drug concerns now operate warehouses replete with laser scanners capable of directing shipments along miles of mechanized conveyors spanning several tiers of these behemoth structures.

This electronic wizardry allows drug store retailers to improve warehouse efficiencies and thus contribute nicely to the bottom line. Many chains report improved inventory turns, better in-store stock positions and streamlined delivery schedules, thanks to warehouse automation.

Although Walgreens, with its Itematics order-picking system, still operates the most sophisticated facility of any drug store operator, several other companies recently unveiled centers with dazzling features. For example:

- Peoples Drug Stores' new $24 million facility in Fredericksburg, Va., not only houses the latest in computer technology, but its 500,000-sq.-ft. site was selected by a computer. Opened Sept. 8, 1985, this three-level center has the capability of whizzing through 270 cases per minute and loading 36 trucks at once.
- Perry Drug Stores' new addition to its Pontiac, Mich., warehouse is up and running. The 400,000-sq.-ft. center serves 56% of Perry's drug store total volume, said Gene Swink, vp-distribution. The facility gives Perry the power to process 105 cases per minute (on one level), making it one of only three drug chains with an output that fast. With its new mechanized system, designed by Semco, Sweet & Mayers, Perry said it can operate about five times more efficiently than with its older routine of pallets and tow lines.
- Genovese Drug Stores' facility in Bohemia, N.Y., is a semiautomatic center, permitting the chain to increase its percentage of merchandise handled through the distribution center from a low 25% to 45% and eventually to 70%-75%. Although Don Gross, vp-marketing and distribution, said costs associated with getting the center up and running hindered earnings during the first half of Genovese's fiscal year, he expects improvements in distribution to contribute to the retailer's bottom line for the remainder of the year.

Some initial kinks had to be worked out, he continued, because Genovese upgraded so fast. Now, however, stores are being serviced twice a week, rather than on a weekly basis, he said. The result is an improved in-stock situation and "happier managers."

Move toward consolidation

Not only was it a year for drug operators to install computer gadgetry; it was a time to move toward greater consolidation. Retailers want to have a better handle on their merchandise, even if it means higher inventory costs.

In a major move, American Stores centralized its distribution network for its drug divisions—Osco, Skaggs and Sav-On—following American's purchase of Jewel Cos. Osco is one of the most warehouse-oriented retailers in the business, handling almost 90% of its merchandise. Conversely, Skaggs previously handled only 20% centrally, and Sav-On, 50% or less. Four distribution centers will supply merchandise to the network of drug outlets American now owns.

Pay 'n Save, another retailer that had relied heavily on wholesalers, also converted to centralized distribution in 1985. Pay 'n Save is gearing up for greater centralization by revamping its 350,000-sq.-ft. warehouse in Auburn, Wash., to incorporate updated technology, including the capability of processing 100 cases per minute.

Outgrew warehouses

A host of other retailers outgrew current warehouses in 1985 and early 1986. Rite Aid announced plans to break ground for its fourth distribution center, a 265,000-sq.-ft. site in Columbia, S.C. To be opened in 1987, this unit will ease the servicing of stores that the Shiremanstown, Pa.-based chain operates in North Carolina, South Carolina and Georgia. Currently, these stores are supplied by a facility in Charleston, W. Va.—a 10-to-12-hour trip by truck.

Birmingham, Ala.-based Big "B" opened a 240,000-sq.-ft. warehouse to help manage a spate of new store openings. The $7 million warehouse replaces a cramped 90,000-sq.-ft. site Big "B" had leased. Big "B" is capable of serving up to 300 stores within a 400-mile radius, leaving the chain plenty of room to grow.

The new site has automated flow racks with conveyor belts and scanners to direct merchandise. The new warehouse should pay for itself by the end of the first year, according to Big "B."

Pay Less will also add a new distribution center to keep up the aggressive plans parent K mart has for growth. Gray Drug Fair has plans in 1986 to add 100,000 sq. ft. to one of its existing centers.

Walgreens, says John Brown, senior vp, will add 140,000 sq. ft. to its center in Orlando, Fla.; 100,000 sq. ft. to its Windsor, Canada, site, and 130,000 sq. ft. to the Houston facility. Over the last five years, he adds, distribution volume to stores has risen twice as fast as distribution costs. Plus, 97% of the stores now receive merchandise within two days of order placement. Walgreens serves 90% of all prescription drugs through its own distribution system.

Peoples Drug Stores' new $24 million warehouse in Fredericksburg, Va., shown here while under construction, opened in September 1985.

Top drug chains in warehousing

Company	1985 No. of DC's	1985 Total sq. ft.	1985 % handled thru DC's	1984 No. of DC's	1984 Total sq. ft.	1984 % handled thru DC's
Revco	9	3.0M	NA	9	3.0	NA
Eckerd	9	2.8M	NA	9	2.8M	NA
Walgreens	6	1.8M	80%	6	1.8M	78%
Peoples	8	1.6M	70	7	1.1	70
Thrifty	3	1.2M	85	3	1.2	85
Rite Aid	4	1.1M	85	3	800,000	85
CVS	2	1.0M	84	2	927,237	80
Page	1	1.0M	70	1	1.0M	70
Thrift	3	781,000	NA	3	781,000	NA
Gray Drug Fair	3	697,000	77	3	697,000	75
SupeRx	2	560,000	NA	2	560,000	NA
Pay 'n Save	2	540,000	NA	2	540,000	NA
Perry	3	513,000	56	2	288,000	NA
Pay Less NW	1	508,000	NA	1	508,000	NA
Dart	1	500,000	NA	1	500,000	NA
K&B	2	485,000	85	2	485,000	85
Adams	1	410,000	NA	1	410,000	NA
Hook	1	400,000	80	1	400,000	80
Snyder	1	363,000	NA	1	363,000	NA
Fay's	1	280,000	75	1	280,000	75
Big "B"	1	240,000	70	1	100,000	NA
Courtesy	1	175,000	NA	1	175,000	NA
Genovese	1	155,000	62	1	51,000	42
Kinney	1	138,000	95	1	138,000	95
Duane Reade	1	130,000	90	1	140,000	80
Kerr	1	120,000	NA	1	120,000	NA
Standard	1	100,000	NA	1	100,000	NA
La Verdiere's	1	100,000	NA	1	100,000	NA
Taylor	1	80,000	78	1	80,000	78
Longs	5	23,000	23	5	20,000	23

Source: *Drug Store News* chain drug survey

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PERFORMANCE

Drug chains to install latest POS computers

Major advantage is automatic price lookup

Point-of-sale computer technology, once the exclusive turf of supermarkets, has begun to gain a foothold in the chain drug store industry.

According to a survey conducted by *Drug Store News*, by the end of this month, more than one-third of all chain drug stores will be using electronic cash registers capable of being upgraded to a POS system.

A major feature of a POS operating system is automatic price lookup. With a POS electronic cash register, the cashier need only key in the universal product code and/or store code. The POS register then searches a master price file and assigns a price to the product, which gets registered on a cash register readout.

At the same time, the computer is able to keep a perpetual inventory of all items being keyed into the register. Special merchandise, like those products appearing in a circular, can be "flagged" by the computer, allowing managers to keep closer tabs on hot-moving items.

In busier stores, keying in time can be considerably lessened by the installation of scanners. Scanners are able to "read" universal product bar codes and automatically scan the computer's database of prices.

While many chains have begun to test POS, few have made the commitment in time and money. Although POS prices have dropped dramatically over the years (nearly in half), the average chain must still invest an average of $35,000 a store to become fully automated.

One chain that has taken an active leadership role in POS technology is Rite Aid, headquartered in Shiremanstown, Pa. Last year Rite Aid began installing point-of-sale scanning cash registers in its more than 1,300 drug stores at the rate of 50 new stores a month.

According to Duane Ruble, senior vp, the chain anticipates that scanning alone will generate an overall savings of one-half to three-quarters of a percentage point.

Ruble said the savings will come from the elimination of price marking in many stores, the reduction in cashier ring-up errors, and the automatic changing of prices chainwide.

Some other key players in testing POS include:

- Fay's Drug, Liverpool, N.Y.—testing both hand-held and slot scanners. The test is designed to help determine what will suit its needs best. A typical Fay's store stocks more than 17,000 sku's.
- Medicare-Glaser, St. Louis—installing electronic point-of-sale cash registers in 13 of its conventional full-line drug stores. The system will track an average of 15,000-18,000 sku's.
- Thrifty Drug, Los Angeles—investing $60 million to develop and install a comprehensive computer system during the next five years. Plans include POS registers, a direct store delivery system, a store inventory management system and an energy management and labor scheduling system.
- Pay Less NW, Wilsonville, Ore.—has installed 300 on-line POS registers and expects to have 3,000 more in place by the end of this year.

Other chains experimenting with POS are Revco, Eckerd, Hook, Gray Drug Fair, White, SupeRx, Thrift, CVS, Drug Fair of N.J., and Peoples.

Computerization in the pharmacy

While POS is just in its infancy in chain drug stores, computerization in the pharmacy has reached maturity.

Nearly 90% of the chains surveyed by *Drug Store News* reported they will have pharmacy computers in place in at least 25% of their stores by the end of this month, and more than half expected to have between 50% and 100% of their pharmacies automated by the end of this year.

Unlike POS, the cost and time-saving benefits of pharmacy computers are many and already well documented. They include: price updates, third-party processing, patient profiles, drug interactions, and automated labeling.

Dropping prices and increased technology have allowed software designers to include more sophisticated packages, usually with no increase in the software base price. These can include programs for processing durable medical equipment rentals, payroll, general ledger, accounts receivable and payable, and the processing of nursing home prescriptions.

Personal computers used

Because of the increased popularity of pharmacy computer systems during the past several years, software manufacturers are striving to rewrite their programs to run on a variety of less expensive hardware, including several brands of personal computers.

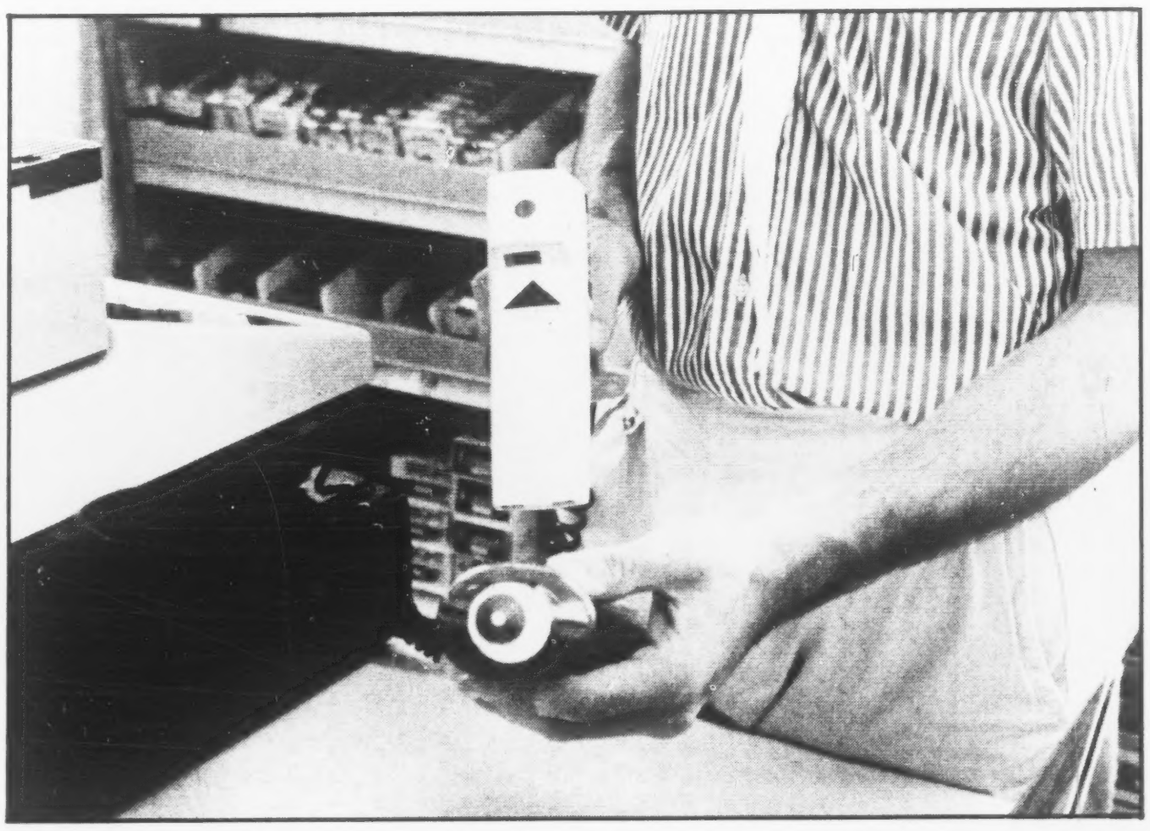
Commercially available software like spreadsheets, word processors, sign makers and graphic programs have made a drug store's personal computer an invaluable source for mundane managerial tasks.

The personal computer has made its way to the store manager's desk as well.

With special software, store managers can keep track of salaries, schedules, sales figures and a variety of other barometers of profitability.

Ultimately, the goal of most computer suppliers is to link up the store's pharmacy system and the manager's desk computer with frontend POS systems to provide a totally integrated computer operation.

Computer industry leaders predict computers will eventually answer the telephone when a customer calls a store. Consumers will be able to "dial in" a prescription number from their telephones for pick-up later in the day.



Last year Rite Aid began to install POS scanning cash registers in its more than 1,300 drug stores at the rate of 50 new stores a month.

Pharmacy computers in chain drug stores

	1985		1986	
Company	No. of stores	% of total	No. of stores*	% of total
Walgreens	1,045	100	1,175	100
Eckerd	1,000+	66	1,550e	100
Revco	641	34	1,141	60
Rite Aid	400	29	750	60
Thrift	360	93	No est.	No est.
SupeRx	313	57	No est.	100
Hook	240	73	328	100
Peoples	203	25	327e	35
Longs	200	96	228e	100
Perry	191**	100	No est.	100
Pay Less NW	175	100	No est.	No est.
Fay's	148	100	158	100
Gray/Drug Fair	144	33	350	78
Big "B"	135	100	163e	100
Shoppers Drug Mart	103	24	195e	42
Genovese	75	100	80	100
Medicare-Glaser	72	82	86	98
Standard	69	100	No est.	100
Kerr	49	100	62e	100
Taylor	47	100	No est.	100
Harco	45	76	55	83
Carls (Revco)	44	100	No est.	100
K & B	40	28	72	50
CVS	27	5	No est.	No est.
Begley Drug	24	60	No est.	100
Sentry	23	100	23	100
Crown	17	94	No est.	100
Bartel Drug	15	55	No est.	No est.
F & M	14	100	No est.	No est.
Pharm-Mor	13	100	21	100
Douglas	11	100	No est.	100
Tiffany Davis	6	100	No est.	100
White Drug	3	13	5	21
Duane Reade	0	0	20	77

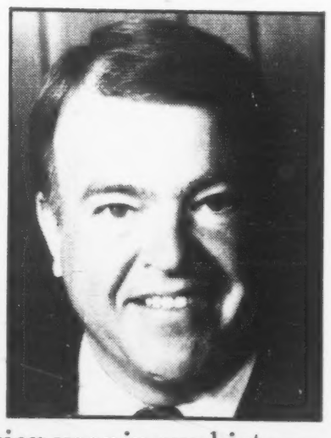
*Estimated
**Perry's total includes drug departments in 61 combo drug auto stores
Source: *Drug Store News* survey

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PERFORMANCE

Drug chain executives make their predictions

Charles R. Walgreen III
chairman and ceo, Walgreens



We expect to continue our aggressive expansion pace throughout the balance of this decade. This year alone, we will open more than 130 stores, making 1986 the greatest expansion year in our history.

We are particularly optimistic about the future of our health care business. In 1984 Americans spent about $400 billion dollars—nearly 11% of our Gross National Product—on health care. This figure is expected to double by 1990.

As we look ahead, we see an aging population, the introduction of many new drugs, an increase in self-medication and home diagnostics, and the conversion from name-brand to generic of several high-volume drugs. All these factors bode very well for the drug store industry in general. We feel that Walgreens—with its established pharmacy computer system, convenient locations and strong customer recognition—is in good position to benefit.

Challenges? Improve merchandising, especially in seasonal and general merchandise areas. Maintain technological leadership with the development of our in-store office computer system. Improve productivity through tight controls of inventory and expense, labor-saving technology, and the benefits of expansion in major markets.

And perhaps the most important challenge—recruitment of quality store employees. As the American economy becomes increasingly service-oriented, retailers are headed into a more competitive job market. Nine out of 10 new jobs between now and 1995 will be in services. At the same time, the number of 16- to 24-year-olds, a traditional labor source for retailers, will decrease from 24% of the population in 1975 to just 14% in 1995. If we are to maintain and expand our customer service levels—an area in which Walgreens is *very* determined—we will need to be both aggressive and creative in our recruitment efforts.

How is the strong U.S. economy impacting business? Retailers in general do not appear to be experiencing a big boost. Forecasts call for real annual retail sales increases of just 3% to 4% over the next year. However, based on our own past performance and the potential we see for the drug store industry, Walgreens should definitely exceed that growth rate. We are optimistic about our company's performance, both near- and long-term.

Alex Grass
chairman, president and ceo, Rite Aid

We continue to expand our relative position in the drug store industry. The U.S. Department of Commerce indicated that drug store sales volume in 1985 totaled $46 billion, an increase of 6.6% over the previous year. Our drug store revenues advanced 13.6% to $1.47B. As has been the case since opening our first store in 1962, we continue to grow much more rapidly than the industry.

Last year included extensive development and investment for the future. Major expenditures were made for video cassette rental departments and the addition of point-of-sale cash registers and pharamcy computers.

Video cassette recorders have become the fastest-selling home entertainment device. Over 24 million units are now in use, and it is anticipated that an additional 12 million will be sold this year. It is expected that ultimately almost every household with a television set will also include a VCR. Because of the convenience provided by our neighborhood locations and smaller stores, Rite Aid is ideally located to offer video movie rentals.

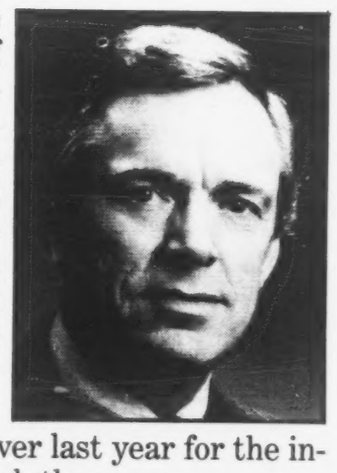
Fiscal 1986 included a major step up in our expenditure for point-of-sale cash register systems. The hardware cost of approximately $20,000 per store is well below that of comparable equipment. However, startup and installation costs during the year totalling $1.8 million have been charged to earnings. We are confident that this expenditure will be more than justified as operating efficiencies are refined and developed.

We are planning an aggressive new drug store opening program. With the general improvement in mortgage rates, development activity is beginning to increase at a more rapid pace. This is especially important to us because of the large number of freestanding drug stores that we either build or lease from landlords.

This fiscal year, we anticipate the addition of 85 stores within the current 20-state trading area. The majority of these sites will be in strip shopping centers anchored by a regional supermarket chain. However, one-third of the stores will be freestanding buildings with adjoining parking lots, bringing our freestanding store count to over 200 units.

Rite Aid, although principally a drug store chain, is now prepared to expand all of its operations. The past year did not meet our expectations; however, much of our activity provided a solid underpinning for the future. We therefore look to fiscal 1987 and beyond with great enthusiasm and confidence.

Stewart Turley
chairman and ceo, Jack Eckerd Corp.

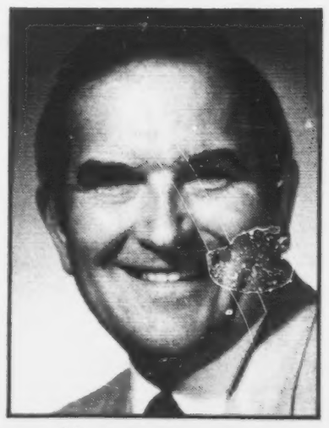


With the continuing of the moderation of inflation, stabilization of interest rates and a reduction of gasoline prices at the consumer level, this year should show improvement over last year for the industry. Although there are some geographic areas of our country with ongoing economic problems, the continuing emphasis on federal budget balancing and deficit reduction should have a positive impact on the economy.

While we anticipate economic growth, we will remain intensely competitive and experience further consolidation in the industry.

The future of the chain drug industry depends on our ability to implement a strategy to meet the consumer's changing needs. Our strategy must address merchandise selection, customer service and shopping convenience. Following our recently completed transaction, we will be focusing our attention on our basic business—drug stores. We will continue to actively expand in existing markets by opening new stores while also undertaking a major store remodeling program throughout the company covering the next three to four years.

Donald D. Beeler
president, Snyder Drug Stores

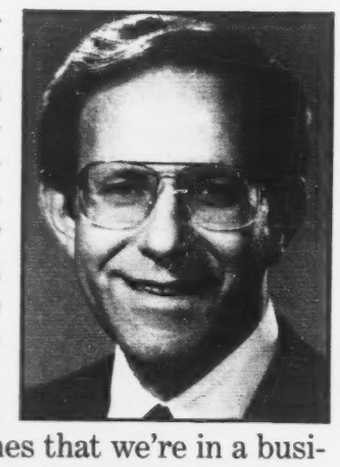


The farmers' economic problems will continue to affect our rural (corporate and independent retail) stores, which will result in soft sales and profits in some of those stores. Overall, we expect the economy to have a minimal effect on our store operations.

Obviously, the successful completion of our LBO is the biggest challenge facing Snyder's in 1986. Aside from that: solidifying our position as the leading drug wholesaler and retailer in our market area.

I am thrilled with the quality of the people we have at Snyder's. Our market share is strong. We know what we are and what we do best. Our wholesale operation is without equal.

Jack A. Robinson
chairman and ceo, Perry Drug Stores



As we continually review our policies in merchandising, purchasing, advertising and other disciplines in trying to achieve the best economies, we tend to forget at times that we're in a business to serve people.

More importantly, we are in a business to serve some people who are in varying degrees of stress—depending on the severity of their illnesses.

So it is important periodically to take inventory of our obligations to customer-patients, particularly as we opt for more technology in the pharmacy.

We now have computer terminals to assist pharamcists. We have machines which count pills. Many of us have installed other technological improvements.

And, I am afraid, at times we fail to emphasize the human element of our business. It is time to look at our roots.

It is time to take a look back when the relationship between pharmacist and customer-patient was valued one. It is time to attempt to rekindle the spirit among our pharmacists to restore them to a position of trusted adviser and counselor.

Filling prescriptions is an important function when it is accomplished with all the humanitarian instincts it deserves. Computers cannot resolve the doubts and concerns of our customers. High technology cannot change despair to hope.

I am confident that if we concentrate on re-establishing the valued and historic relationship between pharmacist and customer-patient, we will improve the service to all those who walk through the doors of our stores. The future of our industry lies in how we service those who depend on us.

We can adopt the most sophisticated policies as well as install high-complex technology. But unless we enjoy the trust of our customers, our efforts will prove futile.

The future of our industry—for the rest of this century and beyond—rests in recognizing our obligation to those who depend on us.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PERFORMANCE

Industry leaders discuss long-range challenges

Continued from page 98

Sheldon W. Fantle
chairman, president and ceo, Peoples Drug Stores

The economy has significant impact on drug store operations inasmuch as the amount of discretionary dollars is very important to the chain industry. There are four major factors which will affect the economy, some of which are under control and some of which are not. On the positive side, inflation seems to be pegged at about 4%, which is good, and the dollar is moderating against foreign currency, which should be a plus to the competitive posture of the U.S. in world trade, which is also good.

The two negatives as I see it are the balanced budget and tax reform, which will certainly affect our economy due to uncertainty, and these I do not feel will be reconciled in 1986. This is bad. The citizens of our country must have a reasonably sound comfort level before they begin spending their discretionary income, and on balance, I would consider this a push.

Our biggest challenge is to structure our company so that we can be competitive in today's volatile environment, thereby being able to maintain and even increase market share. We are looking at every expense item and re-evaluating the manner in which we do business, in order to posture ourselves as a value-oriented retailer.

We have a great deal to be optimistic about, as we have clearly established a position of dominance in the major markets which we serve. We have an outstanding cadre of executives in our company, and we are financially able to take advantage of any opportunity which may present itself.

Frank Newman
president, F & M Distributors

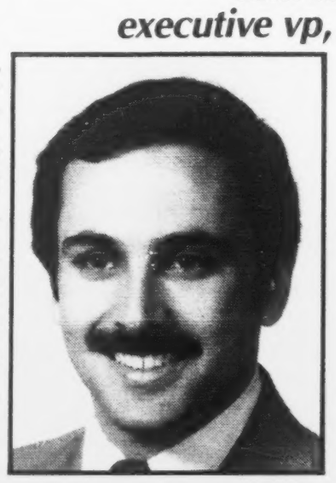
Low interest rates are always a positive impulse to the consumer's buying mood, and as long as they continue, retail sales will benefit. The combination of low interest rates, lower fuel costs and the resultant continued low inflation will reduce pressure on disposable income, which also bodes well for retail sales.

Our challenge continues to be that of growing well. By the end of 1986, we will have grown in size 225% over two years. Our 1986 growth rate alone will be 52%. That kind of growth challenges the organization to do many things well. Our staffing, recruiting and training systems and distribution infrastructures will necessarily receive much management attention to ensure that we don't simply grow, but rather grow well.

As deep discounting comes of age, it is apparent that our types of stores are not as lethal to conventional drug stores as many had thought. Our business comes from three large classes of trade and is not lethal to any of them. Customers see us as an alternative to discount stores, drug stores and supermarkets, in that order. Our customer is motivated by price and not by service.

The conventionals are beginning to realize that we are not lethal competitors. We have a very viable business that does not threaten any competitor's core customers. This means that we can broaden our concept of market share to include a far larger universe of retail channels.

Tom Rosenthal
executive vp, Standard Drug



The strong economy during the past few years has led to the construction of a large amount of retail square footage in our markets and to an increase in competition. This prompted a decision to increase our advertising to maintain our position in the market. The competition which has entered our area has included some of the new formats of retailing such as deep discount drug stores and wholesale clubs. No decision as to a change in the format of our stores has been made.

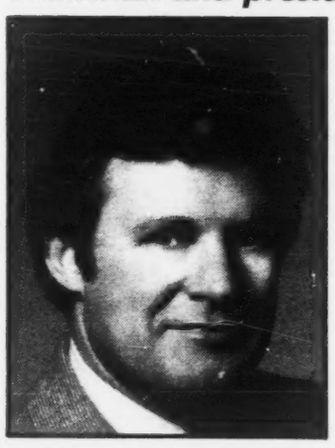
The slowdown in inflation will make operating the stores more challenging. Any same-store increases will come from true unit increases, which are sometimes difficult to obtain in mature locations. This will mean that expense control will be very important in determining bottom-line profits. Working within our company to translate the importance of expense control in all areas will be more important than ever before.

The growth which we have experienced over the last few years has put a strain on our ability to service our stores efficiently from our distribution center. This year, we plan to concentrate a great deal of energy in improving our internal operations. An addition to our distribution center is planned and will hopefully be on line in the fourth quarter of 1986.

We have recently purchased new hardware and software to improve our purchasing and distribution functions. The better part of 1986 will be spent bringing the system on line and learning its capabilities. When the system is fully operational it should provide us with the information to make improved marketing decisions in the years ahead.

As Standard enters the rest of the 1980's, we are well poised to meet the challenges ahead. In each of our major markets we have managed to find ways to compete with our major competition and carve out for ourselves a substantial niche. With our experienced personnel adapting to the rapidly changing environment of today's drug store business should be possible. As a small but flexible organization, we expect to meet those challenges and continue prospering.

Robert J. Begley
chairman and president, Begley Company



Begley Co. sees very little change in the impact from the economy in 1986. From all indications, the economy will be stable, with a slight movement in the interest rates, and any major increase in volume from economic factors will be regional in nature.

The biggest challenge is growth—both identical stores and new stores—with a relatively flat economy, good new locations being extremely expensive and the acquisition market of good stores being limited. The only solution to the challenge and the responsibility by Begley Co. is major market share emphasis, that is, targeting on Begley customers and maximum effort to respond their wants and needs.

It would be better to discuss what we are pessimistic about, because we have many things to be optimistic about. The single biggest problem we see is the national debt and all that implies.

Some exec changes are smooth, some turbulent

The top echelons of the chain drug industry saw a number of changes in 1985; some were smooth and others turbulent as industry execs jockeyed for position among a handful of the nation's top chains.

One of the smooth transitions was the recruitment of William B. Edwards, the 44-year-old former F&M exec, to Revco as its new president and coo last June.

About two months after Edwards joined Revco, Bernard Marden and Isaac Perlmutter, the two Odd Lot principals who once owned nearly 12% or 4.4 million shares of Revco stock, were given their walking papers in a transition that was less than smooth, but agreeable to both sides.

Another difficult transition was the departure of Al Towle from Dart Drug in early 1986. Towle's parting was apparently the result of tensions between him and chairman Stephen Hansbrough and vice chairman Joe Santarlasci.

A much smoother transition occurred at 430-store Adams, the Pawtucket, R.I.-based chain owned by MacAndrews and Forbes through its purchase of Pantry Pride last May.

James Salmanson, the newly appointed 40-year-old president and ceo of the chain, resigned his post only four months after being named to the helm of Adams. His departure in December ended his family's 53-year association with the drug chain it had founded.

Salmanson's resignation was voluntary, and MacAndrews and Forbes had been pleased with his performance.

Salmanson left as soon as he did because of a business opportunity that opened up sooner than he expected. The owners of Adams looked outside for his successor and chose William Sudhaus, an executive with a subsidiary of Drexel, Burnham, Lambert in New York, as the new president and ceo of Adams.

Executive turnover has been the rule for Gray Drug Fair, a division of Sherwin-Williams, and 1985 was no exception. With little fanfare, Jim Mastrian was named president and general manager of the 425-store drug chain last October. He took over the post from Carl Bellini, the Sherwin-Williams group vp.

Elsewhere, Melville, N.Y.-based Genovese Drug Stores looked outside to fill its No. 2 role in the management structure. Chairman Leonard Genovese lured Patrick Edwards, a senior exec at Allied stores, as president and coo of the 72-store chain last September.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Walgreens crests $3B in sales, opens 106 units

DEERFIELD, Ill. — Walgreens last year became the first drug chain to break the $3 billion sales barrier, and there are no signs that its record-setting pace is letting up.

In the first quarter of fiscal 1986, ended Nov. 30, Walgreens' sales increased 14%, while year-to-date sales through March rose 17.3% to $882.5 million.

Meanwhile, first-quarter earnings increased 10.4% to $17.2 million, at a time when the performances of a number of other top chains were faltering.

Expansion also quickened. After opening a record 106 stores in fiscal 1985, Walgreens unveiled a total of 64 in the first quarter, another record. Thirty-eight of them were new, and 26 were acquired from Ribordy Drug, Valparaiso, Ind.

Walgreens plans to continue its expansion drive in 1986. The chain will open at least 120 new stores in existing markets, but concentrate most heavily in Florida, California, the Southwest and the Midwest.

Individual markets targeted for significant expansion include Oakland, Calif.; Phoenix; Austin, Tex.; Minneapolis; St. Louis; and Tampa/St. Petersburg, Fla.

Walgreens also increased its presence in the New York market last year. It opened a third New York City store, in the Borough of Queens, in December, and plans to open three more Big Apple units during 1986.

"Our expansion is self-driven," said president Fred Canning. "We don't base plans only on where development is taking place . . . we decide where a store is needed and then seek the best site available, whether it's an existing building, an empty lot or a proposed strip center. We tailor stores to fit their neighborhoods."

The company is also committed to growth by acquisitions, particularly large ones that provide strong, immediate market penetration. Ribordy Drug, the Indiana chain acquired last fall, is one example. Walgreens has also been mentioned as an ardent suitor for the 67-store Medi Mart, which was placed on the block earlier this year by parent Stop & Shop. The Medi Mart acquisition would make sense, because Walgreens considers the Northeast an "underchained" target of opportunity.

"We are very serious in our quest for acquisitions of all sizes," said Dan Jorndt, senior vp and treasurer.

Existing stores remodeled

In its drive to expand, Walgreens has not ignored existing stores. It plans 70 major remodelings and hundreds of minor ones in 1986. By comparison, there were 61 major remodelings last year. Over the past three years, 162 older units—or 15% of the chain's stores—have been remodeled. Currently, some 37% of Walgreens' store base consists of new or substantially renovated units.

With such heavy growth, the company's distribution centers will require additional space. More than 100,000 sq. ft. will be added to Walgreens' 130,000-sq.-ft. Houston center. The 140,000-sq.-ft. Orlando center and the 100,000-sq.-ft. Windsor, Wis., center also will be enlarged.

Walgreens has five major computerized distribution centers (in Memphis; Houston; Flagstaff, Ariz.; Orlando; and Windsor, Wis., a full-case warehouse (in Berkeley, Ill.) and five public warehouses. Some 97% of its stores get two-day service from these centers. About 90% of all prescription drugs go through the Walgreens distribution centers.

Walgreens is also digging deep to computerize its stores. More than $3 million was spent on a 72,000-sq.-ft. computer center, and Walgreens plans to invest another several million in its systems development project, the Walgreen Information Network. It hopes to link all Walgreens stores, offices and other locations by 1990. By 1987, a bank card authorization system will be in place, and point-of-sale scanning is also under evaluation.

Sundries trimmed

In the product area, Walgreens is trimming down its sundry merchandise and beefing up its home care category. Currently, 32% of sales come from general merchandise. Some 166 Walgreens stores have complete convenience food sections. Photofinishing, an important traffic-builder, has brought 20% annual increases.

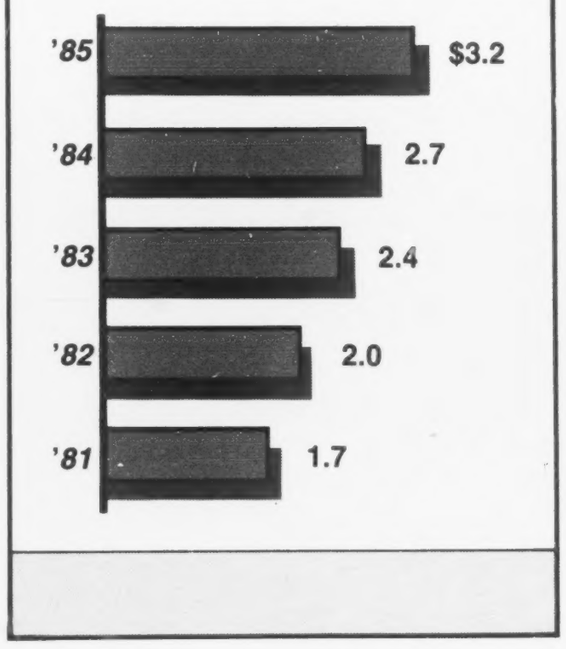
But it is prescription sales that continue to give the chain's drug store division its leading edge. In fiscal 1985, prescription sales rose 21%, and in the first 1986 quarter they were up 27.9%. Prescriptions accounted for 20% of the company's sales volume in 1985. The increases came in spite of an aggressive pricing strategy in prescriptions to develop a strong customer base in new stores, one financial analyst reported. By 1988, the company expects to do $1 billion in prescription sales—about $1 million a store. Walgreens currently fills about 3½% of the country's retail prescriptions.

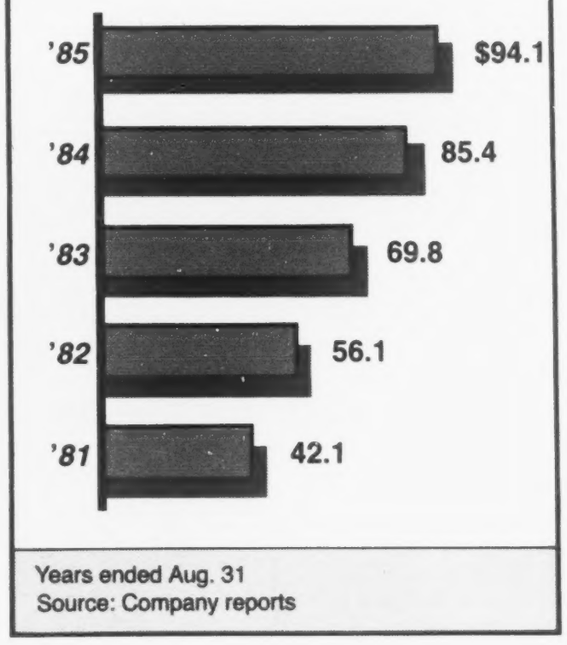
The chain has also moved into the prescription mail-order business through a contract to provide service to 100,000 customers of Mutual of Omaha.

For the fiscal year ended Aug. 31, 1985, Walgreens sales rose to $3.2 billion, from $2.7 billion a year earlier. Net earnings increased 10% to $94.2 million from $85.4 million. Comparable store sales increased a healthy 8.5%, while drug store division sales registered a 15.8% gain.

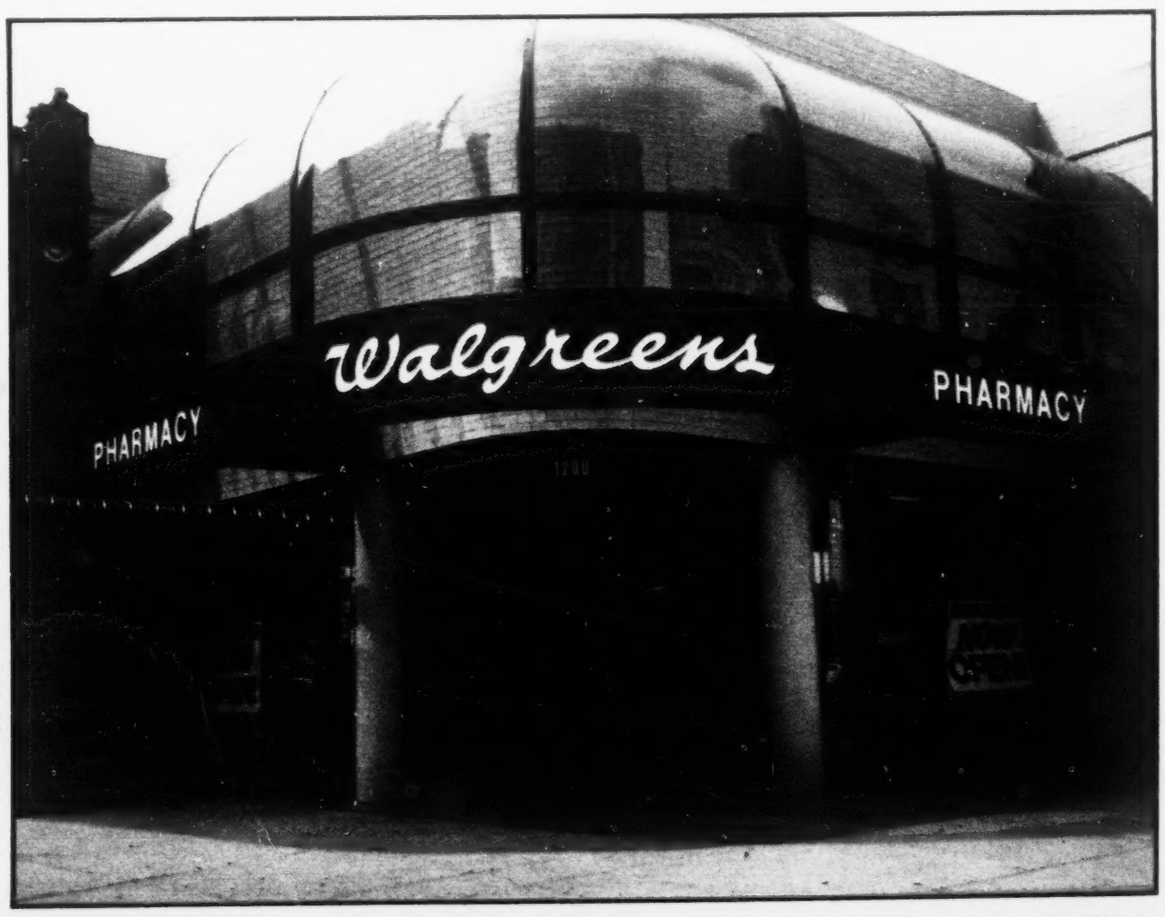
Fiscal 1985 marked the 11th consecutive year that the chain reported record sales and earnings.

While deep discounters have had a major impact in some Walgreens markets, including St. Louis, Phoenix, Houston and Chicago, the company showed market share gains in 67 of its 80 markets last year.





Presently, 32% of Walgreens' sales come from general merchandise. Walgreens has been trimming down its sundry merchandise and beefing up its home care category.



After opening a record 106 stores in fiscal 1985, Walgreens unveiled 64 in the first quarter, another record. A total of 38 of them were new, and 26 were acquired from Ribordy Drug. Walgreens plans to add at least 120 new stores in 1986.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Revco proposes buyout; chain refines operations

TWINSBURG, Ohio — Top Revco management, with an investor group, proposed a leveraged buyout in March, becoming the latest in a string of drug store industry buyout candidates.

In Revco's case, the proposal followed several months of industry speculation that management would seek private ownership, faced with possible hostile suitors. Rumors were fueled by a string of six consecutive negative earnings comparisons.

Earnings hit $19.7 million, up from $16.3 million in the previous year's quarter. Sales rose 17% to $707 million from $605.4 million. Even more important, same-store sales were up a healthy 10.3%.

Year-end earnings gauged

With year-to-date earnings at $34.5 million, analysts foresaw year-end earnings ranging from $50 million to $60 million, arresting the earnings slide of 1985, in which profits—reduced by a $3 million fourth-quarter loss—totaled $39 million at year's end.

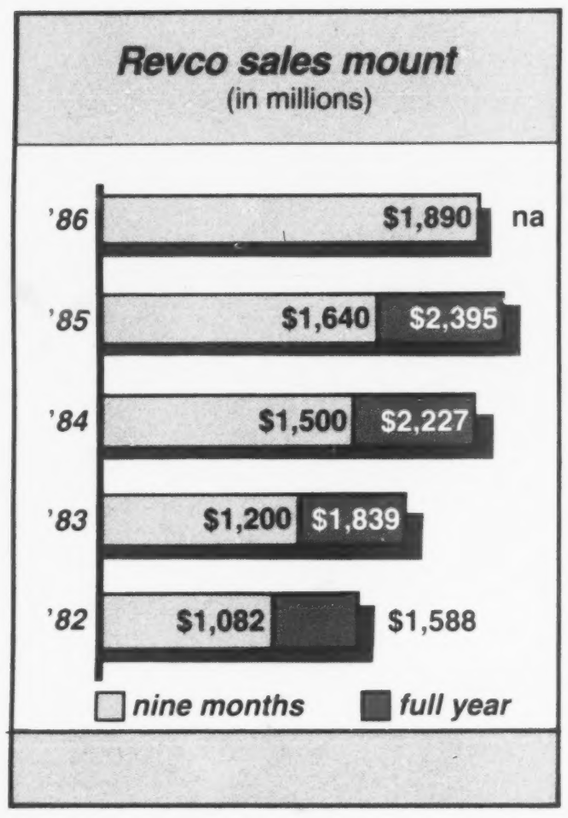
The numbers capped a fiscally tumultuous nine months in which earnings were initially hampered by a price reduction program on non-Rx items in key eastern markets begun in the third quarter of fiscal 1985. Store gross margins began to improve when Revco revised the program, to slash prices on a store-by-store basis in selected markets in October. Officers conceded that in some markets they had failed to draw the volume needed to offset the price cuts.

Revco quickly put the worst year in its history behind it. Sidney Dworkin announced the chain was re-examining all aspects of the company. To further that goal, Edwards in June was brought over from F&M as the No. 2 man, to focus on refining merchandising and store operations and to relieve Dworkin of some management responsibilities.

Edwards was put in charge of the Odd Lot off-price division and the Get-It-For-Less deep discount stores. He implemented adjustments in merchandising, store design and layout in the conventional units.

Acquires Carl's

Revco ended the third quarter with 1,988 stores, after opening a net of 121 stores in the previous 12 months, including the July acquisition of the 46-store Carl's Drug chain in New York, New Hampshire and Vermont. Marc Dworkin was named Carl's president.



Revco's depressed 1985 fiscal performance, which resulted in a 58% earnings decline in the year ended June 1, 1985.

In fiscal 1986, the chain began laying the groundwork for the efficient, profit-oriented operations that analysts said management must stress to make the buyout work. As the Revco Board of Directors convened a committee to review the offer, observers predicted that a privately owned Revco would concentrate on fine-tuning operational initiatives laid in place during the year, with more conservative store unit growth and merchandising and operations refinements.

A $1.16 billion buyout package, offering $33 per share plus preferred stock valued at $3, was seen as reasonable among the investor community, after the stock rose about 10 points since August.

Industry watchers saw the plan partly as a pre-emptive maneuver against potential raiders. They felt the chain was vulnerable to takeover, based on the value of its divisions and the depressed share quotations.

The management group—with William Edwards, the former president of the F&M deep discount chain, who was named Revco's president in June, and cfo R. Carroll Hudson—contributed $10 million. They stand to make money if the drug store business continues to improve, analysts said.

The necessary improvements in drug store performance arrived on cue. Revco produced third-quarter results with solid growth in drug store sales. Earnings were up 20%, breaking

Revco ended the third quarter with 1,988 stores. Drug store earnings were up 20% for the quarter, breaking a string of six consecutive negative earnings comparisons.

While Carl's—operating under its own name—proved profitable, success with Odd Lot remained elusive. In the third quarter, the division continued as a drag on profitability, with below-budget 10% sales growth and an operating loss of 6¢ per share.

But the chain remained committed to making Odd Lot work, after it severed its relationship with the division's former owners, Bernard Marden and Isaac Perlmutter, by buying out their shares of Revco stock in August.

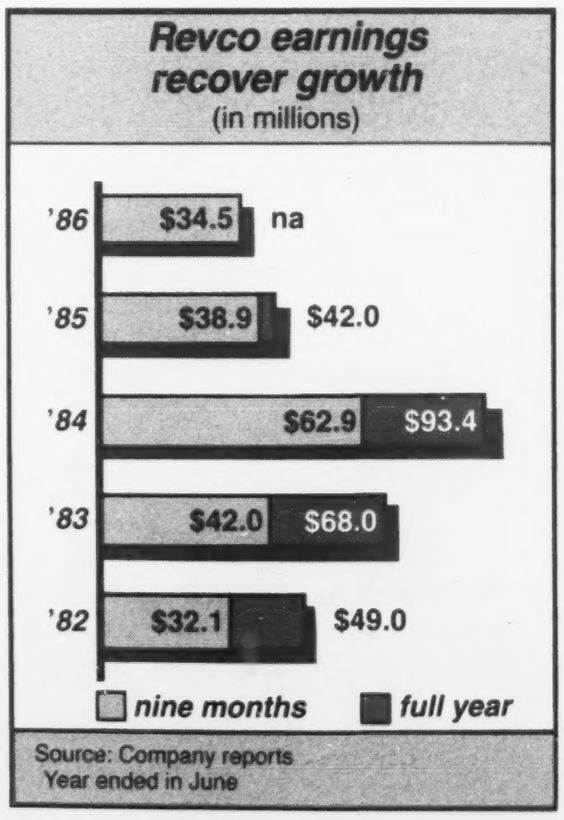
In March, Edwards named John Crowley, 59, a marketing consultant and former W. T. Grant retailer, as president of Odd Lot. It added 17 stores, up to 152 in 12 months.

Revco continued its cautious experiments with deep discounting. It added two new Get-It-For-Less Stores, one in Tulsa, Okla., and one in Akron, Ohio, in March, bringing its total to four.

The chain launched its first in-store scanning test in August and continued rolling out pharmacy systems. Scanning was also tested in a Get-It-For-Less unit, monitored by a research marketing company studying product movement. In March, 600 stores were equipped with pharmacy systems, with 200 scheduled for fiscal 1986.

Revco broke ground on a new Dallas warehouse, a 500,000-sq.-ft. unit that will serve 450 stores in the state. The chain planned to add 120-125 stores in the next year, concentrating growth in the Sunbelt states of Texas, Florida, Georgia, North Carolina and Virginia.

Earnings were initially hampered by a price-reduction program on non-Rx items in key eastern markets begun in the third quarter. Store gross margins began to improve when Revco revised the program to slash prices on a store-by-store basis in selected markets in October.



THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

American consolidates; Osco to go nationwide

SALT LAKE CITY — American Stores is pursuing the American dream: a united coast-to-coast $3 billion retail drug chain involving Osco, Sav-On and Skaggs stores.

The corporate plan continues to be melding all 531 drug stores under the Osco banner by October 1986. Freestanding Skaggs stores have already been converted; Sav-On has been slower to change because it means relinquishing an established name in the dense southern California market.

Sources close to American Stores expect such consolidation to produce buying, distribution and expense control synergies in the company's retail drug business. American doesn't break out divisional contributions to corporate sales and earnings, but close estimates peg more than one-half of corporate earnings coming from drug and combination food/drug stores.

American sales rose to $13.9 billion in the fiscal 1985 period ended Feb. 1, 1986, up from $12.1 billion a year ago. Net income slid to $154.5 million from $185.5 million a year earlier, though the year-ago figure included a one-time $51 million gain from the sale of Rea & Derick and other stores.

Current earnings figures reflect an unusual 123% increase in its full-year LIFO charge to $16 million. American decided in the fourth quarter to value drug store and general merchandise inventory on a LIFO basis, bringing the corporate share of inventory on LIFO to about 80%, up from 56% last year.

American, in addition to forming a national Osco drug chain, is directing more attention toward its Jewel/Osco and Skaggs/Alpha Beta combination food/drug stores. American plans 14 new combination stores in 1986, adding to its lead as the nation's largest operator of pure combination stores, with pharmacy, cosmetics and expanded health & beauty aids under the same roof as its food store.

In addition, 20 "super" Osco drug stores and four expanded supermarkets—a new format for Acme—are slated for this year. These 49,000-sq.-ft. Acmes carry more high-margin, high-ticket general merchandise, such as cosmetics, H&BA and OTC products, but so far no prescriptions.

Combination stores and "super" drug stores both yield about a 20% return on investment, according to Wall Street sources, but combos achieve that yield working on a 3% pretax margin, while the "super" Oscos work on an 8% pretax margin.

Most combo growth will occur in Kansas, Oklahoma, Texas and California in 1986. However, a company spokesman said American is also eying more Southwestern and Midwestern markets, where growth potential exceeds the national average.

Spending on combos

Analysts estimate that 30% of American's $280 million capital expenditures budget will be spent on combos this year, as American refocuses its building efforts. During the first nine months of 1985, spending on new and remodeled stores fell 30% year-to-date, as American focused on reducing debt.

Also in 1986, American plans to expand four or five Jewel supermarkets into combos and remodel about 45 stores in total, roughly matching last year's renovation pace.

American's drug store thrust is being attributed largely to Osco president Dick George. It is he, sources said, who convinced American chairman Sam Skaggs that a centralized drug distribution effort would be the most profitable way to supply stores.

In consolidating Osco, Sav-On and Skaggs into a single chain, American has decided to use four distribution centers to supply drug store merchandise and pharmaceuticals to drug stores nationwide. They're in Payson, Utah; Ponca City, Okla.; La Habra, Calif.; and Elk Grove Village, Ill.

Central distribution

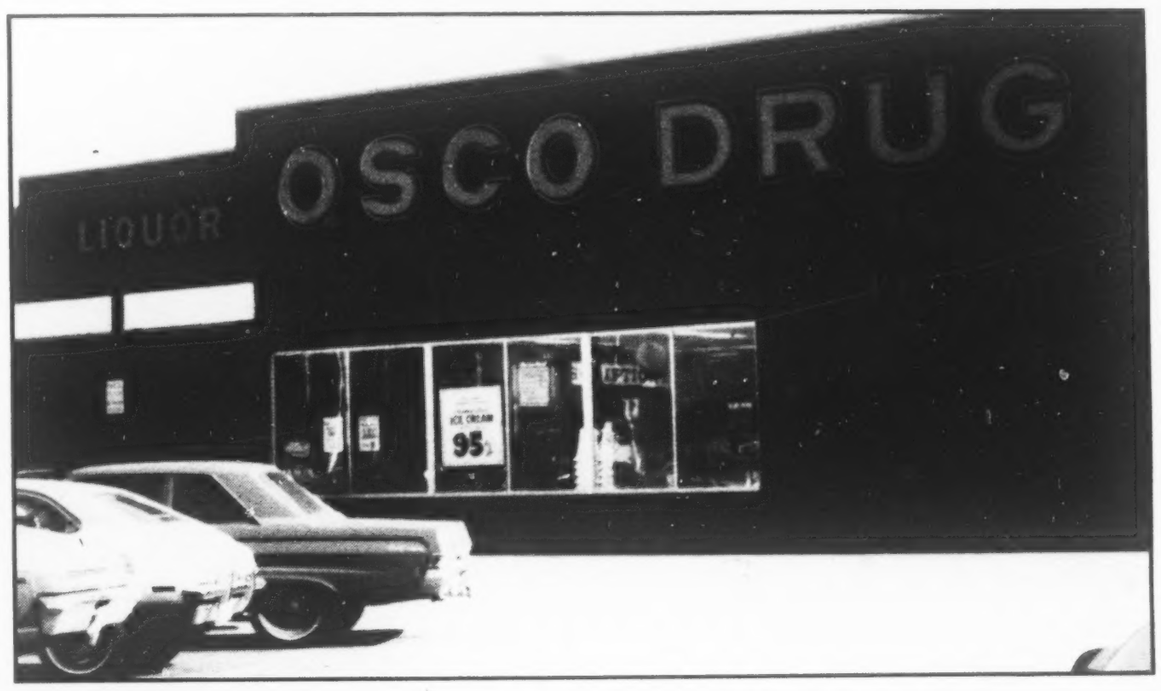
It's estimated that Osco handles 80%-90% of its inventory through centralized distribution, compared with Skaggs, 20%, and Sav-On, less than 50%. Buying synergies will accrue to American, but perhaps the biggest advantage is the leverage and potential for advertising a high-margin national private label, sources said.

Close American observers conceded that the same H&BA and pharmacy mix makes sense nationally, but cautioned against the lack of general merchandise overlap between say, New England and Los Angeles.

Overall, gross margins at American have benefited by a shift toward high-margin private label products and prescription business. That trend is expected to continue, as American consolidates its retail drug efforts, expands its roster of combination stores and de-emphasizes its low-margin supermarket sales.

American expansion plans over the next few years, for example, include 5% annual growth in retail square footage. However, combination food/drug stores and expanded supermarkets, which have space for more general mechandise, will grow at a 10% annual pace.

In recent months, American has faced sluggish same-store sales growth because of particular weakness in its Energy Belt markets. American's fourth-quarter and full year fiscal performance was also impacted by an eight-week supermarket workers strike in southern California, one less selling week in the Christmas quarter and its broad extension of LIFO accounting to drug store and general merchandise inventory.



American Stores' corporate plan continues to be to meld all of its 531 drug stores under the Osco banner by October.

American Stores varied retail formats

(store counts at FY end Feb. 1, 1986)

Combination food/drug stores		Food stores		Drug stores	
Company	No. of stores	Company	No. of stores	Company	No. of stores
Skaggs/Alpha Beta	100	Acme	299	Osco, Sav-On	531
Jewel/Osco	121	Alpha Beta	244		
Buttrey/Osco	3	Jewel	96		
		Star	45		
		Buttrey	54		
Total	224	Total	738	Total	531

Source: *Drug Store News* research

Sav-On stores have been slower to change to the Osco banner because it means relinquishing an established name in southern California.

Freestanding Skaggs stores such as this one have recently been converted to carry the Osco name. Four distribution centers will supply all the stores when the consolidation is complete.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Eckerd's shareholders expected to approve LBO

CLEARWATER, Fla. — A drastically slipping bottom line at year-end, making the Jack Eckerd Corp. vulnerable to a hostile takeover, prompted the company's management to start fiscal 1986 with plans to take the company private.

At a meeting scheduled to take place April 30, shareholders are expected to endorse plans for a leveraged buyout. The buyout plan was announced by the chain in October, when an investment group comprised of 25 members of the company's management and 32,000 employees agreed to purchase Eckerd.

The group, managed by Merrill Lynch Capital Partners, obtained $1.35 billion to effect the deal. The group is offering shareholders $33 a share, with $28 in cash and $5 in debentures.

As a result of the restructuring, 30 people, including several vice presidents, left the company. Sources said the departures were partly the result of streamlining designed to eliminate jobs that were duplications or no longer necessary and partly the result of the pending leveraged buyout.

The buyout took longer than planned. Questions about tax advantages, raised by the Securities and Exchange Commission, caused two postponements of the shareholders meeting at which the sale is expected to take place.

Because of the delay, some arbitraguers regarded the buyout as somewhat risky. Analysts also expressed concern becuase other recent buyouts (i.e., Beatrice, Macy's and TWA) resulted in bad deals for investors. In addition, the $5 debenture interest rate has not been announced, and analysts are a bit queasy that it may be high. Queasiness also surrounded the price of the stock; it hovered at about $30, a price one analyst said is about a point below what market value would be if the lbo were a done deal (instead of only considered fairly certain).

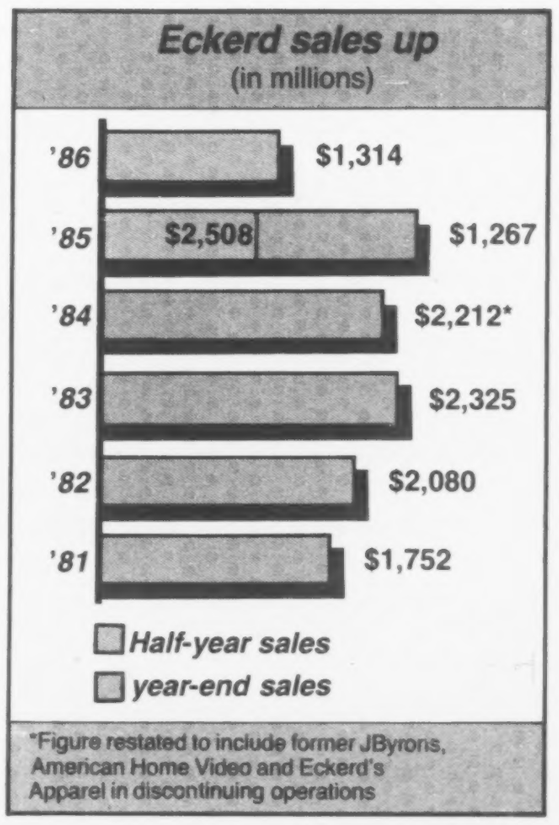
Dart buys stock

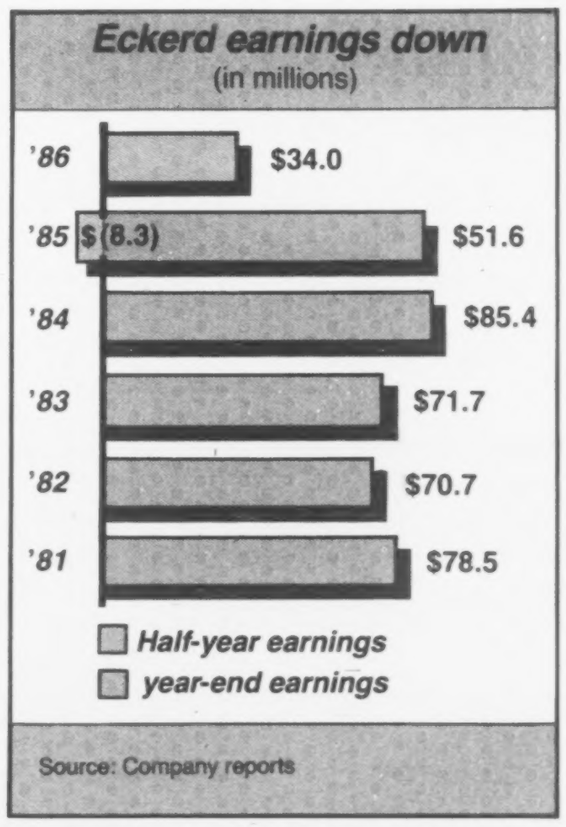
The buyout is an attempt by Eckerd to protect itself from threats of a takeover, such as one it may have narrowly escaped from last year. In a move to push Eckerd into putting the company up for sale, the Dart Group purchased a 5% interest in the company's stock. The purchase followed a particularly poor quarter for Eckerd, and Dart got the stock at bargain rates.

Dart may have been poised for a takeover, as some analysts said, or it may only have been hoping that Eckerd would be forced to sell to *someone*, in which case Dart would have profited from a rise in the stock price. At the very worst, Dart could have been left holding 5% of what was seen as a very undervalued Eckerd stock.

But Eckerd lined up $1 billion in additional credit from its lenders and sued Dart in federal court to prevent Dart from buying additional shares. Dart ended by selling its 5% interest back to Eckerd at $29.50 a share, several points more than it paid, realizing some $55.6 million from the deal, or about $9 million in profit.

Eckerd's repurchase of Dart's 1.884 million shareholding hastened an attempt by Eckerd to streamline its operations by selling off its ailing divisions, American Home Video, JByrons and Eckerd Apparel. Sale of the three problem divisions created a one-time after-tax write off of $61 million.





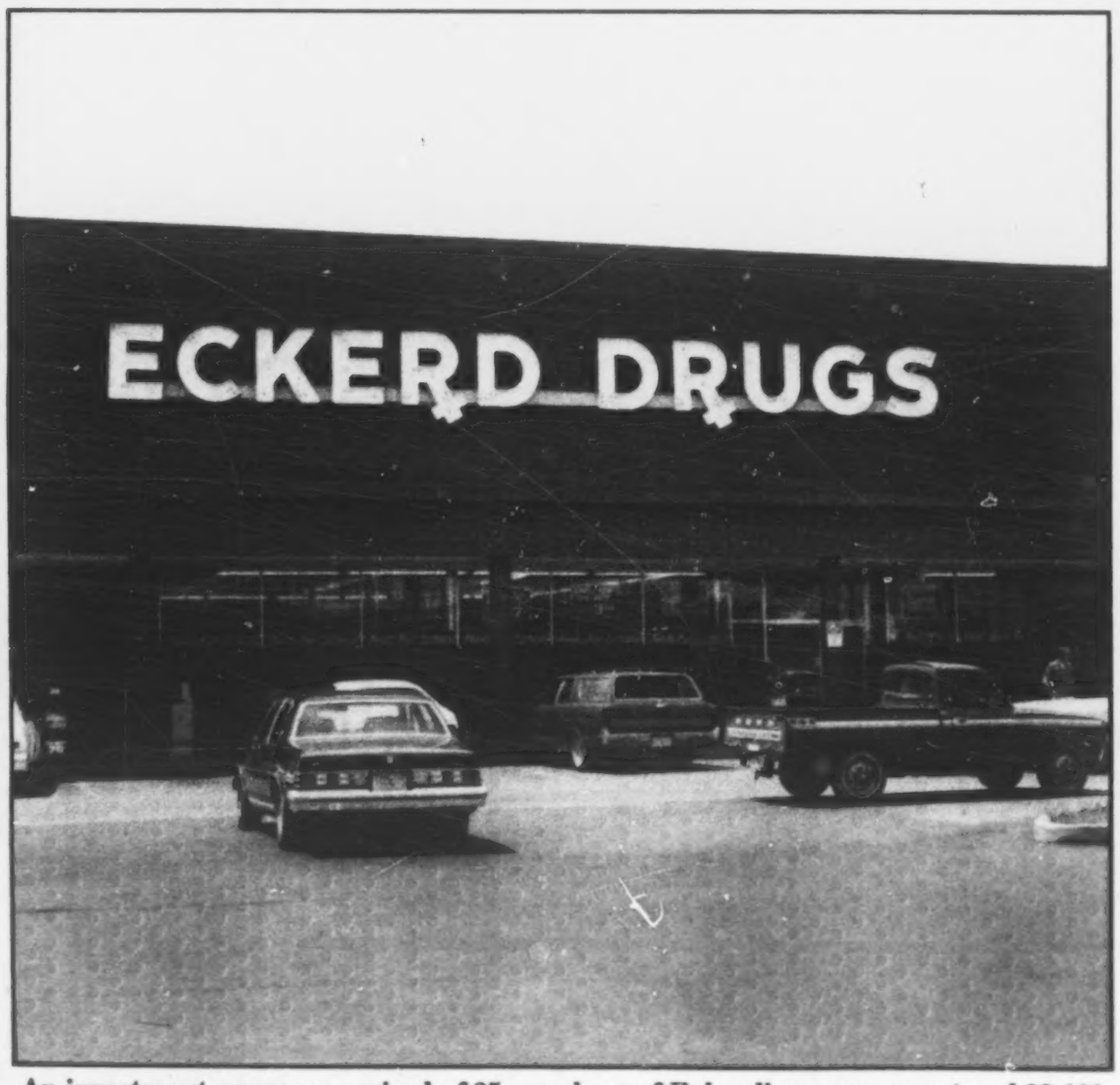
Sale fizzled

After weathering these ordeals, Eckerd announced it was holding "preliminary conversations" with a small number of selected companies about a possible sale or merger of the 1,525-store chain. But no such sale emerged, and, instead, several weeks later, the company revealed its plans to take the company private.

Eckerd's troubles came from a 1985 third- and fourth-quarter earnings plunge due to unusually heavy markdowns on merchandise, lackluster sales and a more aggressive pricing policy. As a result of these, earnings for the year plummeted 30.3% to $58.4 million, from $83.7 million the year before. Sales for the year ended Aug. 3, 1985 rose to $2.51 billion. Factoring in both the $61 million write off from the purchase of Dart shares and the results from the three divested operations, the company came out with a net loss of $8.3 million for the year. The previous year had shown a profit of $85.4 million.

Meanwhile, as shareholders got ready for the long-awaited lbo meeting, earnings continued to drop. A 1986 six-month report from the company for the period ended Feb. 1, 1986 showed earnings declined 34% to $34 million, from $51.6 million the year before. Sales for the six-month period were $1.31 billion, an increase of 3.7% over last year's $1.27 billion.

Second-quarter results showed a 34.6% decline in earnings to $24 million, from $36.6 million in 1986. Sales for the second quarter were up 2.2% to $744.2 billion, from $728.5 billion a year ago.



An investment group comprised of 25 members of Eckerd's management and 32,000 employees have agreed to purchase Eckerd. At a meeting scheduled at presstime, shareholders are expected to endorse the plan for the LBO.

Eckerd recently opened two new upscale Visionworks medical eye care department stores and has confirmed plans to open at least another six during the year.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Longs' prospects bright despite 1985 profit dip

WALNUT CREEK, Calif. — Longs stubbed a toe in fiscal 1986.

A sharp drop in fourth-quarter earnings resulted in an overall 6% decline in net income for the year ended Jan. 30.

Although there were legitimate explanations for the fourth-quarter falloff, analysts were surprised at its depth. Net income was down more than 31% to $8.7 million.

Analysts were nevertheless optimistic about the long-term earnings growth of the chain, which has been a powerhouse in West Coast retailing for decades.

The reasons for the steep decline in fourth-quarter earnings were many, but they included the following:

- The 1986 quarter was shorter by a week than the prior-year period.
- A very heavy store opening schedule—10 new stores in the fourth quarter vs. three in the previous-year period—increased insurance and occupancy expenses. The new stores also helped to lower margins because of promotional activity needed to attract new customers.
- There was a sharply higher LIFO charge—$2.4 million vs. a half-million in the prior period.
- The relatively new California lottery diverted consumer dollars and affected general merchandise retailers like Longs across the board.
- Comparable-store sales increased less than 4% in the fourth quarter, reflecting the softening sales picture in California, which has long been recession-resistant.

Balancing some of these negatives were the sharply higher prescription and private label sales. Longs has been emphasizing both because they provide higher gross margins and help to offset promotional activity in other areas.

Longs' prescription sales currently account for about 12% of total store sales, compared with about 8% some five years ago. And last year, executive vp Richard Scott told *Drug Store News* that Longs was shooting to increase the percentage of private goods to as high as 10% from the current 5%-6%.

In addition, Longs has increased the percentage of goods flowing through its three redistribution centers to about 15% of the total merchandise mix. The proportion may eventually hit 20%. The extra leverage provided by centralized buying has also enhanced Longs' overall gross margin. The company emphasizes, however, that its system of direct-store buying and store autonomy—the cornerstones of its success—will remain intact.

Longs also stepped up the pace of chainwide computerization and expects to have all stores on-line by mid-1986. While the initial investment has been heavy, Longs anticipates long-term gains because of improved pharmacist productivity, faster price updates, better communication between headquarters and store managers, and more effective monitoring of inventory levels.

During the year, Longs opened its 200th store. The San Luis Obispo, Calif., unit was unusual in that it was some 10,000 sq. ft. smaller than Longs' typical prototype of 25,000-30,000 sq. ft. The chain was forced into the smaller format by a local ordinance that restricted size, but the chain conceded it was considering downsized versions of its superstore prototype for smaller markets, just as chains like Pay Less and Thrifty have done.

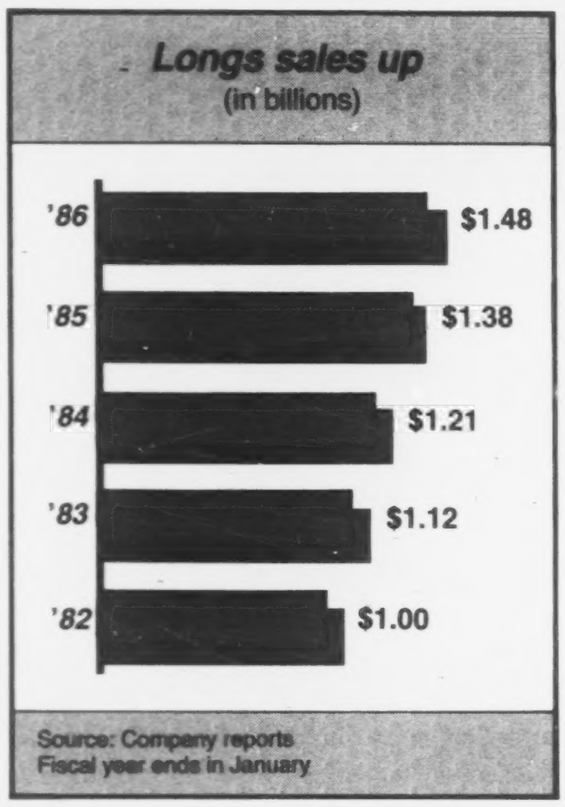
In the fourth quarter, the chain commenced its awaited invasion of Colorado with three store openings. It was the first new state the chain had entered since opening a single unit in Bend, Ore., in 1979, and its first full-scale invasion of a state since entering Arizona in 1977.

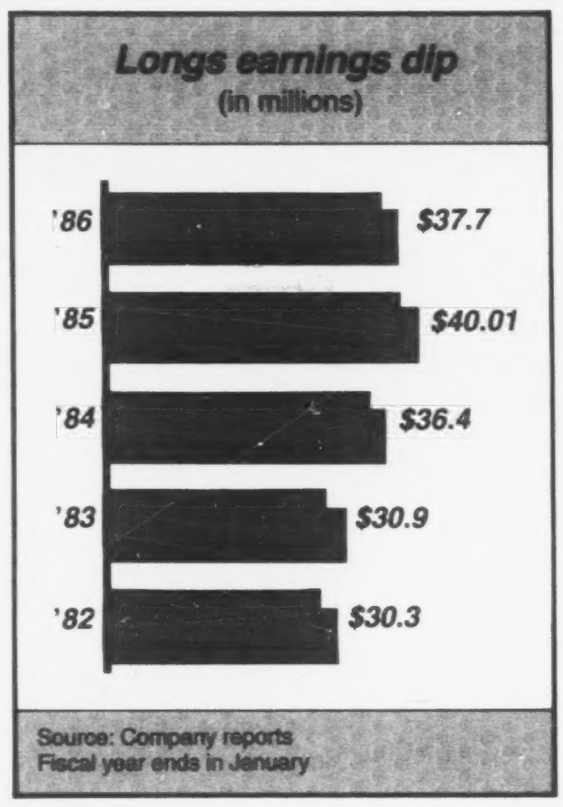
Observers expect the Colorado venture to parallel the Arizona experience, which involved a long, difficult battle to build market share against some of the toughest competitors in the country. Colorado, too, is a tough market. Bob Long has pointed out, however, that the state offers some very attractive features for a retailer, including a rapidly growing economy, a diverse and stable labor pool, and a large number of new and affordable homes under construction. Longs says the Colorado stores are so far "meeting expectations."

Longs took several actions last year to avoid a hostile takeover attempt, though observers doubted if the chain, with its high percentage of stock held by insiders (more than a third), would be vulnerable.

One antitakeover move involved a corporate reorganization and the incorporation of a new holding company called Longs Drug Stores Corp. The change allowed the company to create staggered terms for directors, which, among other things, make it difficult for a raider to gain control of the Board of Directors.

Longs also announced plans to begin buying back up to two million shares of its common stock. The buy-back will not only increase the percentage of insider holdings, it will also enhance the company's earnings per share.





Longs 200th store, in San Luis Obispo, Calif., is 15,000 sq. ft.—a possible prototype for penetrating smaller markets.

The pharmacy counter in the San Luis Obispo store. Longs has increased the ratio of prescription sales to total sales from 8% about five years ago to 12% today. The increase has helped to enhance overall store margins.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Rite Aid expands; adds sophisticated computers

SHIREMANSTOWN, Pa. — Rite Aid Corp. forged ahead with an aggressive expansion program in 1985, while upgrading stores with point-of-sale and pharmacy computer systems and video cassette rental departments.

The chain opened its 1,392nd store by the end of fiscal year, March 1, after adding 117 new units and closing 14 over the preceding 12 months. The country's third largest chain in store units, Rite Aid planned to expand by a net of 85 in 1986.

Alex Grass, Rite Aid chairman and president, advised shareholders in June that growth will continue within the company's 20-state eastern seaboard trading area, because the existing market can support at least twice as many stores.

Rite Aid posted its second consecutive year of declining net earnings, following three quarters of depressed earnings, compared with the previous year.

While 1986 sales hit $1.564 billion, up 15% from 1985, total net income declined 11%, from $69.9 million to $62.5 million, with earnings per share down from $1.69 to $1.52. Net income was affected by a $5.37 million loss resulting from Rite Aid's first-quarter disposal of its Circus World toy chain and from closing its nine Heaven contemporary variety stores.

Analysts and company officers noted that earnings were affected by stiff capital expenditures for store upgradings, as well as by underperforming divisions, and foresaw an upswing in performance in the new year, based on the solid performance of the core drug operations.

Super Rite Foods, the wholesale and retail grocery company in which Rite Aid has a 46.8% interest, dealt a blow to third-quarter earnings with a $450,000 equity loss, attributed to losses incurred from defective warehouse computer software. Also, costs mounted from new store openings and from the chain's programs for installing POS and pharmacy computer systems and merchandising video rental departments. Subsiding inflation the previous year and higher interest expenses combined to depress earnings. Also, Rite Aid absorbed the charge related to its first-quarter exit from the toy and variety store business.

Rite Aid, which has 1,391 stores such as this one (below), is the nation's third largest chain in store units. Strong sales of basics (above) and rising Rx sales, as well as the industry's highest ratio for private label sales, brought the chain's average gross margin up 0.2% in the third quarter from the previous year's figures.

Drug store same-store sales growth, which began to wind down in the third quarter, had picked up in the first months of the fourth quarter. At 5.6%, growth in third-quarter same-store sales was well below the previous year's 11.3%. But Grass reported an acceleration in January, with the largest same-store sales gain in over a year, an increase of 10.7%. This was, however, dampened by a weaker February tally of 6.8% growth.

Looking ahead, analysts foresaw improved figures, led by the drug store business, which accounts for 95% of company revenues. Prescription sales continued to provide a bedrock for earnings, with same-store sales reported up 10% in the third quarter. The rising Rx sales combined with strong sales of private label—also a high margin item—to hike average gross margin by 0.2% in the third quarter from the previous year. Private label, meanwhile, increased its share of total sales in fiscal 1986, up a percentage point to 14%, the industry's highest ratio.

Rx sales increased to 35.6% of total sales in the year, compared with 33.4% of 12-month sales in fiscal 1985.

Deep discount strategy

In the year, Rite Aid launched a major offensive in its deep discounting operations after being stung by encroaching low-price competitors in markets including Philadelphia, Baltimore and Rochester, N.Y. Initially, the company was forced onto the defensive in Philadelphia, when it converted a conventional store to one of its Drug Palace deep discount stores, after inroads by Drug Emporium.

Rite Aid subsequently went on the attack, using the stores to explore markets underrepresented by its conventional units.

The chain opened three stores in the Bronx and Brooklyn, N.Y., with a 7,500-sq.-ft. prototype geared for urban sites, and moved into upstate New York, in Rochester and Buffalo, with a 20,000-sq.-ft. version.

Ending the year with 12 Drug Palaces, Grass vowed to open at least five in 1986.

In August, Rite Aid introduced scanning into stores, with a sophisticated in-store computer system that integrates existing store pharmacy computers with the frontend checkout operations. By February, 600 were installed, with plans to roll them out at a rate of more than 200 stores a year.

Designed by Stores Automated Systems Inc. (SASI) owned 50% by Rite Aid, the system uses a powerful computer for scanning and record keeping. Information from the pharmacy and front end systems can be consolidated for transmission over a single telephone line to the host computer. Plans were to equip all stores by 1988.

Circus World sold

The chain emerged with a slimmer profile after selling off Circus World in August for $35 million and stock to Greenman Brothers Inc., a consumer products wholesaler and retailer. The 191-store business that Rite Aid bought in 1982 had posted a disappointing 1984 Christmas season, with same-store sales down almost 10%.

Rite Aid also closed its nine Heaven contemporary variety stores, saying it would concentrate on its three main businesses: drug stores, its ADAP automotive supplies chain, and its Encore Discount book stores.

ADAP broke even for the year in profitability, with sales of $49.9 million, recovering from a difficult 1985 year, hampered by a $128,000 third-quarter loss. Operating 59 ADAP stores as of March, the chain planned to add seven more in 1986.

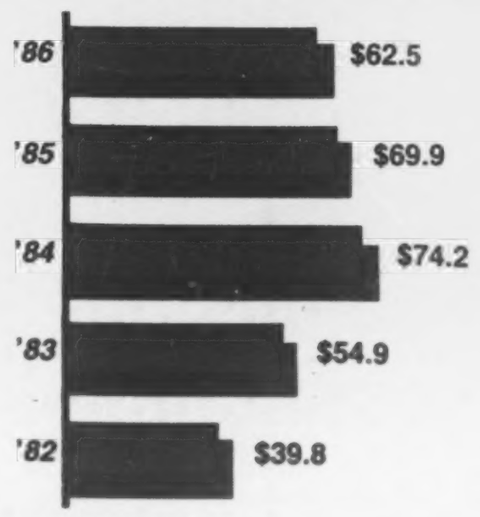
More Encores planned

With steady sales growth, the Encore division posted $17.9 million sales in 1986, with store units increased 25% to 27, and plans to add five more in 1986.

Rite Aid accelerated its videocassette program, installing the rental departments in 448 more stores, bringing total stores to 556 in February.

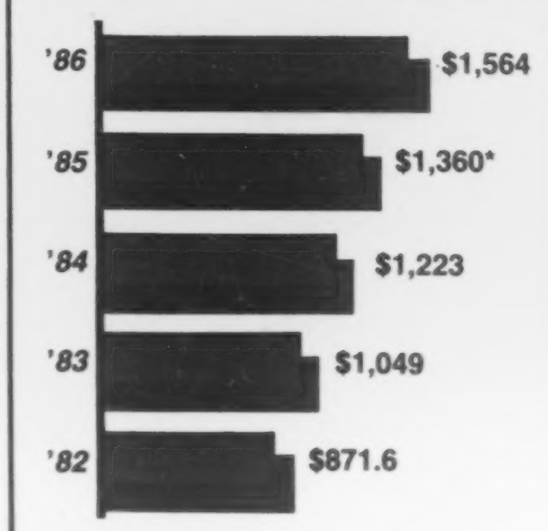
In November, Rite Aid began work on what will be its fourth distribution center, in Winnsboro, S.C. The 265,000-sq.-ft. center will increase the capacity of its store service network from 1,500 to 2,000 stores and support planned aggressive inroads in North Carolina, South Carolina, Georgia and Tennessee.

Rite Aid earnings slide continues
(in millions)



Source: Company reports

Rite Aid sales hit new high
(in millions)



*Restated to eliminate sales of Circus World and Heaven stores

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Peoples growth fueled by diversification

ALEXANDRIA, Va. — Peoples Drug Stores, pursuing several growth fronts in 1985 and 1986, doesn't expect its support levels to be affected by parent Imasco's possible $2 billion acquisition of financial services firm Genstar.

It's business as usual for the 831-store chain, which spent 1985 absorbing Rea & Derick; launching its long-awaited Florida attack by taking over 31 Shoppers Drug Mart stores; replacing three distribution centers with a 500,000-sq.-ft. DC in Fredericksburg, Va., and turning to Hardee's fast food, a freestanding Eye City optical center, and additional Bud's deep discount stores as separate growth avenues.

The scorecard for the first nine months of fiscal 1985 (through Dec. 31, 1985)shows these efforts raised revenues 39% to $980 million, as operating earnings fell 6% to $29.3 million. That disparity was particularly evident in the third quarter, when sales rose 30% to $350.4 million and operating earnings fell 21% to $12.2 million.

Peoples attributed its poor Christmas-quarter profits to increased price competition, especially from deep discounters, and some inventory out-of-stock problems related to startup of its $24 million DC in Fredericksburg.

Much of Peoples' sales growth has come from new stores; through the first six months of the fiscal year, comp-store sales grew just 6.4%.

One of Peoples' most promising markets appears to be Florida, where Peoples took over 31 stores from its sister division, Shoppers Drug Mart, last spring. Chairman Sheldon "Bud" Fantle announced plans to expand to 75 stores there by mid-1987, while keeping that division's operation autonomous, in much the same manner as Reed and Rea & Derick.

These stores are expected to carry more private label and hard goods merchandise, such as souvenirs, patio/picnic, swim goods and other outdoor categories tailored to the market.

Peoples will concentrate growth on Florida's east coast from Fort Lauderdale to Vero Beach, and from Naples to Pasco County on the west.

Peoples plans to add 60 new stores and remodel 130 companywide in 1986, up on both counts from 1985. According to a company spokesman, all conventional drug stores will be in the format of a 10,000-sq.-ft. prototype unveiled in Toledo, Ohio, last November, which angles checkouts by the corner entrance and drives shoppers through high-margin seasonal aisles.

Peoples' recent expansion raised its roster of stores to 831 as of March 22, 1986, including: 559 Peoples, 109 Lane, 85 Rea & Derick, 34 Health Mart, 31 Shoppers Drug Mart, 7 Bud's, 5 Hardees and one Eye City store.

Expansion moves

That expansion includes the takeover of 134 Rea & Derick stores in December 1984, the addition of several more since then, and the conversion of about 50 to the Peoples banner; continued expansion of Bud's, which has its own buying and merchandising staffs; the twinning of Hardee's fast-food restaurants with larger Peoples stores: and its ongoing one-store test of Eye City, a freestanding optical center.

Hardee's, set up in five stores currently, replaced in-store fountain counters in some cases. Peoples' franchises each Hardee's from its sister Imasco division, carves out about 3,000-4,000 sq. ft. of store space and separates the restaurant from the rest of the store with a wall. There's no walkthrough from store to restaurant, and each has its own entrance.

Where leases allow, Peoples will add Hardee's in this manner as fast as possible, a company spokesman said. Peoples won't detail why, but fast-food restaurants typically operate on 20% gross margins and produce a 20% return on investment. Peoples return may be better since it doesn't have to build the unit from scratch.

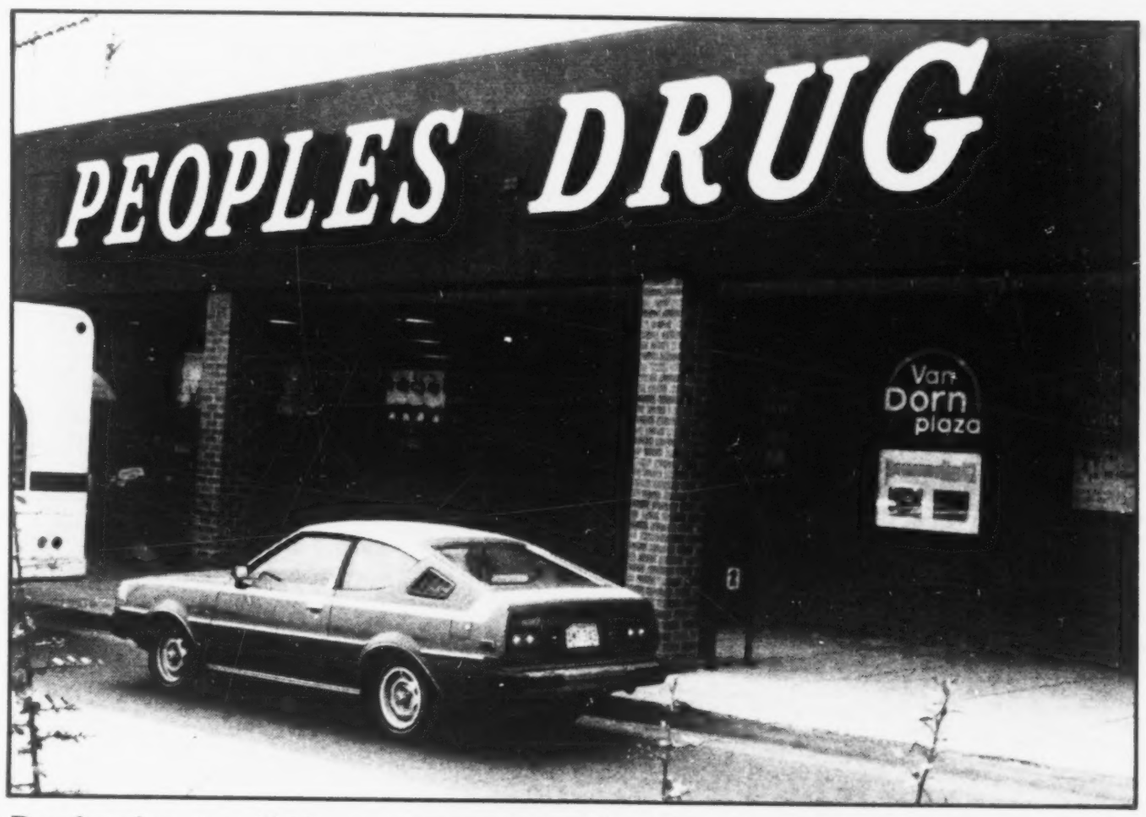
The typical Hardee's, which is somewhat larger than the Peoples format, generates about $802,000 in annual sales. That number should rise to about $874,000 in 1986, according to *Nation's Restaurant News*.

Initial plans were to target Hardee's expansion in the densely populated Washington market, where Peoples has about 165 stores and Hardee's 16.

Retailing venture

In another specialty retailing venture, Peoples opened 13,000-sq.-ft. Eye City in Alexandria, Va., this past January. Its unusual concept of self-service eyeglass merchandising is expected to help produce $1 million in sales this year; an adjoining optometrics center should add another $250,000 in that period, according to company sources.

Whether Eye City succeeds as a retail concept, Peoples still derives considerable benefit from the facility, because its lab will produce lenses for the chain's 58 optical centers by the end of 1987.



Peoples plans to add 60 new stores and remodel 130 companywide in 1986, up on both counts from 1985. Its mid-Atlantic stores are said to be getting better service from the new 500,000-sq.-ft. distribution center in Fredericksburg, Va.

The optical centers, all but four of which are in drug stores, now pay subcontractors $15-$20 to finish each pair of glasses; the Eye City lab will do it at $4-$5 per pair. Each optical department sells $50,000-$60,000 worth of glasses annually.

Moreover, Eye City will take 50%-90% margins on eyeglass frames it sells.

Strong traffic pickup

A company spokesman said at presstime that Peoples is pleased by early results, but hasn't decided about Eye City expansion. He noted a strong pickup in Eye City traffic and sales after a Bud's deep discount store opened in the same strip center two months later.

Peoples, as part of a more mainstream effort to tighten operations at its drug stores, plans to test electronic point-of-sale systems in about 10 stores this year, a company spokesman said. He expects the test to last at least six months, adding that Peoples could roll out such a system over a few years if results warranted.

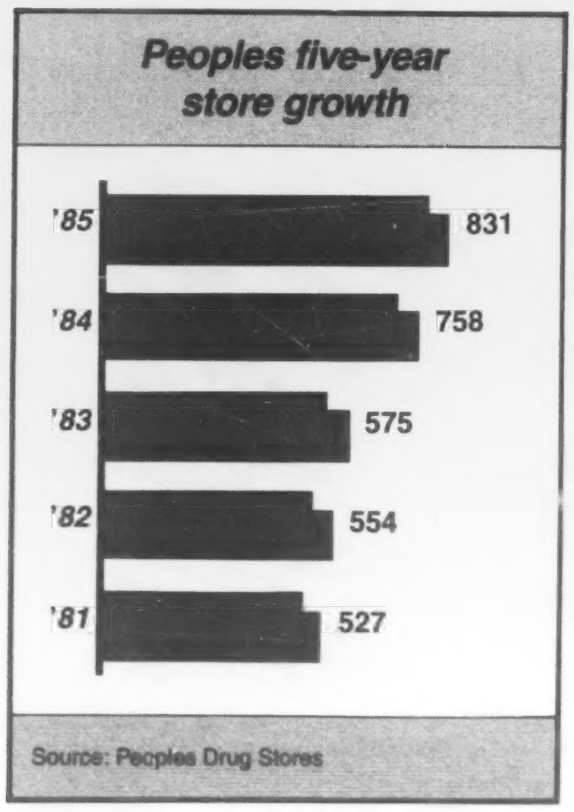
Peoples is further ahead in equipping stores with pharmacy computers, he said, without being specific about how the two data systems might link. He said "several hundred" stores have pharmacy computers, and Peoples is "proceeding on plan" with chainwide rollout over the next few years.

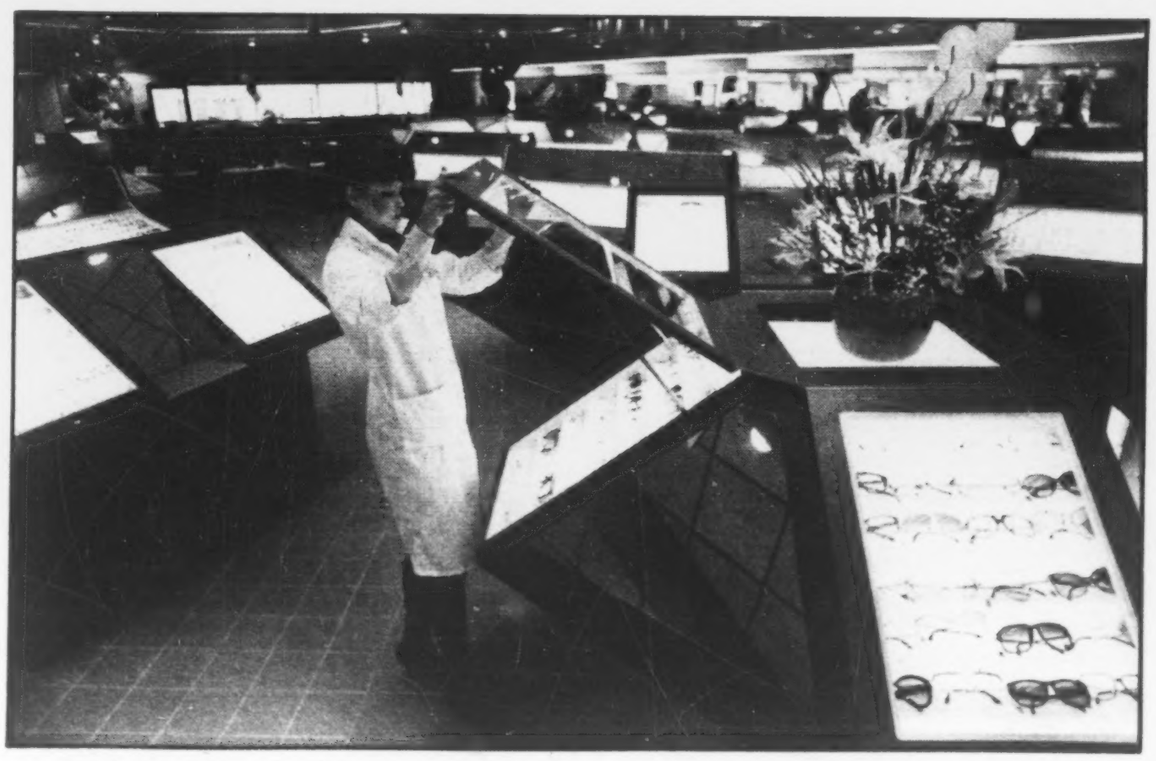
In reviewing distribution efforts, the Peoples spokesman said, "Out-of-stocks [which are impacted Christmas quarter results] are no longer a problem in the mid-Atlantic region. We're all ironed out now." Peoples has already closed two DCs in Richmond, Va., which totaled 100,000 sq. ft. and were used primarily for bulk and seasonal goods. Phaseout of the 250,000-sq.-ft. picking warehouse in Richmond, Va., will take another six months, he said.

Comprehensive DC

Eventually, the automated Fredericksburg DC will handle all distribution needs for Peoples stores from Harrisburg, Pa., down to North Carolina and as far west as West Virginia, the spokesman said. He estimated it could support about 400 stores.

Company executives noted earlier that high ceiling space enables Peoples to stack eight pallets high and have capacity equivalent to nealy one million sq. ft. The facility is expected to save 30% in labor costs and payback in seven years.





Peoples' specialty retailing venture, Eye City, uses self-service eyeglass merchandising to produce an anticipated $1 million in sales this year; adjoining optometrics center should add another $250,000.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Thrifty uses Jrs. to tap mini markets; plans expansion of downsized units

LOS ANGELES — No matter how many drug stores a chain operates, market penetration is an elusive quality. To what extent can a market be coalesced before it is considered "locked up?"

And how can you make inroads into regions that are too small to support an 18,000-30,000-sq.-ft. drug store?

Notes Leonard Straus, Thrifty's chairman, "With all the volume we do in California [255 stores], we still reach less than 50% of the consumers."

That is why Thrifty Corp. bought 15 Drug King and 13 Guild Drug stores and launched a new division of downsized stores called Thrifty Jr. Thrifty plans to open 25 Jrs. this year.

Thrifty Jr. (3,000-8,500 sq. ft.) will go into areas of 5,000-7,000 population. The stores will derive economies of scale from Thrifty's centralized distribution, buying, accounting, EDP, and advertising. In addition, the Jrs. will have instant name recognition.

In going downsize, Thrifty is taking a page out of Pay Less NW and its Key Drug division. However, there is one major difference: Key has a manager/pharmacist in charge; Thrifty has both a store manager and a pharmacist.

Another difference is that Jr. growth will come from existing buildings—as well as from acquisitions of small chains and independents—but no stores will be built from the ground up. Key will follow the same route, except it will build new stores, too, as evidenced by the new Myrtle Creek, Ore., unit.

'With all the volume we do in California, we still reach less than 50% of the consumers."

—Leonard Straus
chairman, Thrifty Corp.

'Thrifty Corp.'s performance in fiscal 1985 . . . was highlighted by two plusses and a minus.'

Thrifty Corp's performance in fiscal 1985 (sales up 8.1% to $1.4 billion; net income up 14.2% to $32 million) was highlighted by two plusses and a minus.

The plusses: stellar performance by Newman Importing and Big 5 Sporting Goods. The annual compounded growth rate for Newman, acquired in 1973, is 17% on sales and 20% on profit. As for Big 5, over the past 15 years sales increased at an annual compounded rate of 22.2%, and profits, 24½%.

The minus: the failure of Trak Auto West (Thrifty owns 50%) to break into the black. Thrifty's share of Trak's loss during the last fiscal year was $4 million.

Trak profit drain

Currently, there are 71 Trak stores in the Los Angeles area, and Straus said, "We expect to break even when we have 90-95 stores." However, Straus admits that one of the reasons for Trak's profit drain is that "we operated on too low a margin [17%-18%]. However, we are correcting this and increasing the selection."

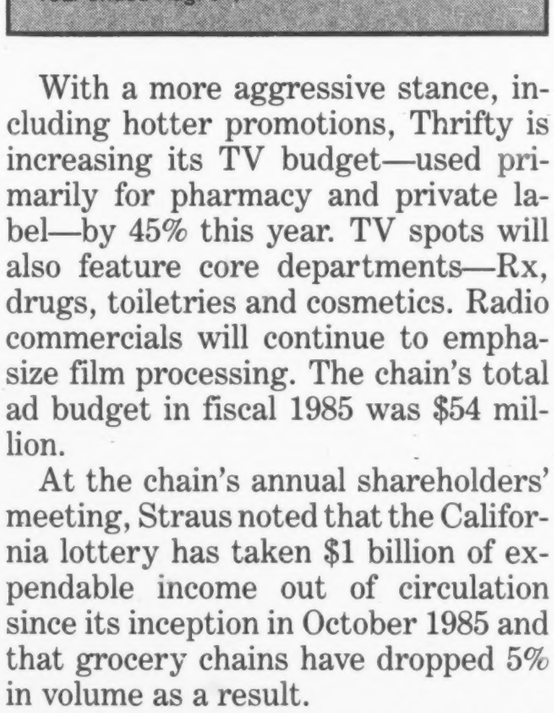
He also said that while Trak is not on the block, "If someone comes in with a very nice price, we would receive an enormous profit if we sold."

In what Thrifty calls a "milestone," the remaining 23 coffee shops have been phased out. Straus said that coffee shop profits were declining and "we decided to close them because we can make more profit using the same space for drug store merchandise."

Thrifty continues to move ahead on the computer front. The IBM Series 1 pharmacy computer is now in 252 stores and will be in more than 350 stores by the end of fiscal 1986.

Testing POS system

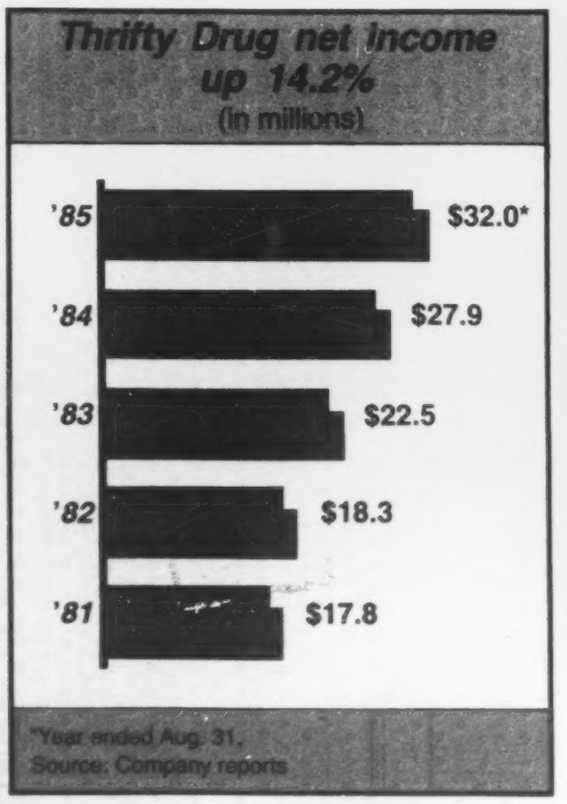
Thrifty's POS system (using an IBM Series 1, six or more IBM 3680 POS registers and two or more IBM personal computers in each store) is being tested in 28 stores, with 25 additional stores due to go onstream during the balance of the current fiscal year. The program is a $60 million joint venture with IBM and is expected to be completed in 1989.

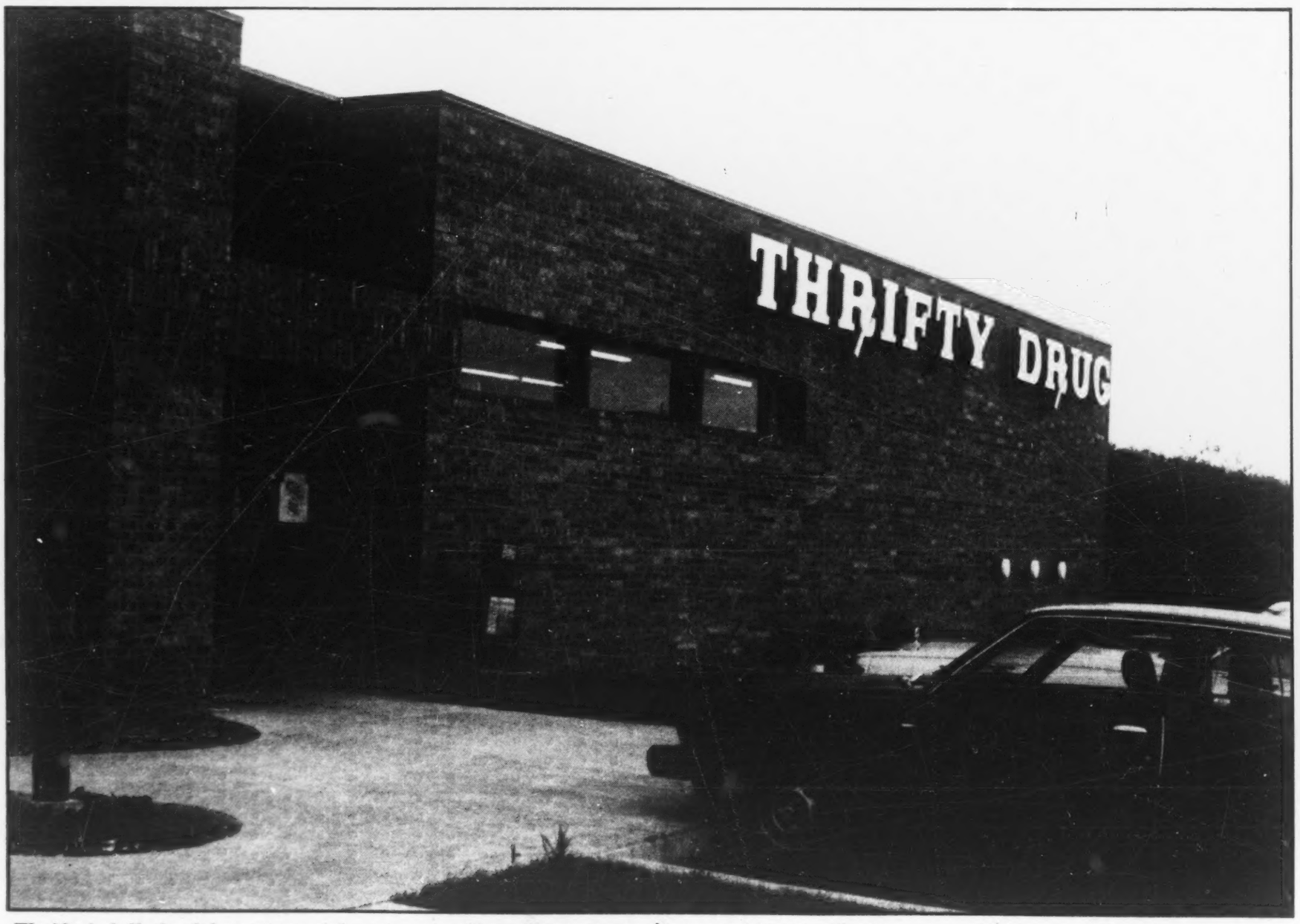


With a more aggressive stance, including hotter promotions, Thrifty is increasing its TV budget—used primarily for pharmacy and private label—by 45% this year. TV spots will also feature core departments—Rx, drugs, toiletries and cosmetics. Radio commercials will continue to emphasize film processing. The chain's total ad budget in fiscal 1985 was $54 million.

At the chain's annual shareholders' meeting, Straus noted that the California lottery has taken $1 billion of expendable income out of circulation since its inception in October 1985 and that grocery chains have dropped 5% in volume as a result.

Straus made no comment on the effect on drug store sales, and also did not say to what extent the 5% on sales that retailers receive for selling lottery tickets compensates for lost volume.





Thrifty's full-sized drug stores (above) are too large for many markets, and that is why the company has created a new downsized prototype called Thrifty Jr., for areas of 5,000-7,000 population.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Bantams help CVS crack $1 billion sales barrier

WOONSOCKET, R.I. — CVS, the bantam chain owned by the Melville Corp., a diversified conglomerate, quietly broke the $1 billion a year sales barrier in 1985, making it the industry's ninth chain to crack a billion a year in sales.

Total sales for the 592-unit chain rose 16% to $1.017 billion. Since CVS only added 39 stores in 1985, a 7% increase, most of the company's volume growth came from existing stores. Today the average CVS store does about $1.7 million in sales in a selling environment of approximately 5,500 sq. ft.

CVS dollar volume and number of stores

	1984	1985	1986 (est.)
Total dollar volume	$877.0M	$1.017B	$1.158B
Total stores	553	592	626

Source: *Drug Store News* survey

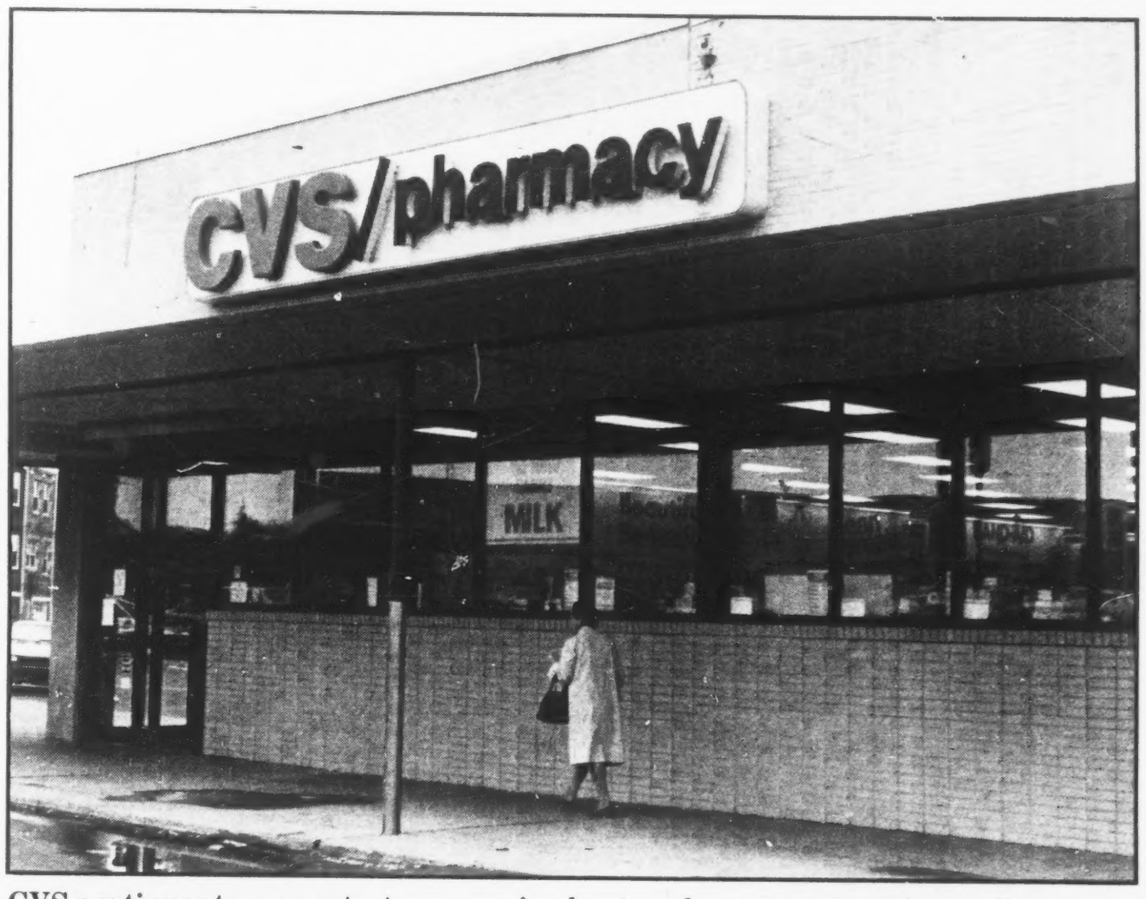
Also in 1985, CVS made it into the industry's top 10 drug chain in terms of dollar volume. Last year, Pay Less NW, the Oregon-based super store operator, edged CVS out of 10th place in the highest-volume chain rankings. This year, Pay Less itself broke the billion barrier, but just slightly behind CVS.

CVS is also one of the few remaining drug chains to continue to operate primarily as a "pure drug store." Although CVS's parent, Melville, is highly diversified, even to the point of operating a fast-growing chain of deep discount drug stores (Freddy's), CVS itself is not involved in any type of retail diversification.

The company continues to concentrate on opening bantam drug stores in either mall, strip or freestanding locations and to emphasize a basically health & beauty aids/over-the-counter mix of products.

The only major new category to be introduced into CVS stores in recent years is convalescent aids/home health care items, and even in this major new area, CVS's experimentation is conservative. Only about 100 stores have convalescent aids sections, and there are no plans to expand the department in the foreseeable future.

Because CVS concentrates so fully on H&BA items, the company is able to whip some 84% of its total drug store dollar volume purchases through its two major distribution centers.



CVS continues to concentrate on opening bantam drug stores in either mall, strip or freestanding locations and to emphasize a basically health & beauty aids/over-the-counter mix of products.

In addition to enhancing bottom-line profitability through operational efficiencies, CVS uses its 1 million sq.ft. of distribution space to generate one of the industry's best inventory turns. CVS is also able to maintain one of the industry's highest in-stock rates.

Not locked into circular advertising as some of the promotional chains like Eckerd and Peoples , CVS is also able to enhance profits, which are unreported, by keeping advertising expenditures as a percentage of sales relatively low.

Much of CVS's traffic is generated through its convenient locations and through its relatively strong consumer franchise. According to sources, consumer research shows that CVS shoppers rate the chain highly on such key dimensions as price, service, variety of selection, store cleanliness, ambience and speed of checkout.

Thrift enjoys record sales of $641 million in 1985

PITTSBURGH — Although faced with some of the stiffest competition in its history, Thrift Drug had record sales last year.

Thrift, a J. C. Penney subsidiary, rang up $641 million in sales in 1985, up 8.5% over 1984.

Moreover, comparative same-store sales rose 6.9%, while average store sales per year closed in at $1.8 million in 1985, up slightly from $1.7 million in 1984.

At year's end, Thrift operated 374 drug stores in 20 states under the Thrift and Treasury banners, a total store increase of four over 1984. During the year, two stores closed and six opened. However, Thrift is engaged in a major remodeling program and plans to overhaul 40 stores during 1986 and open 25 stores over the same period.

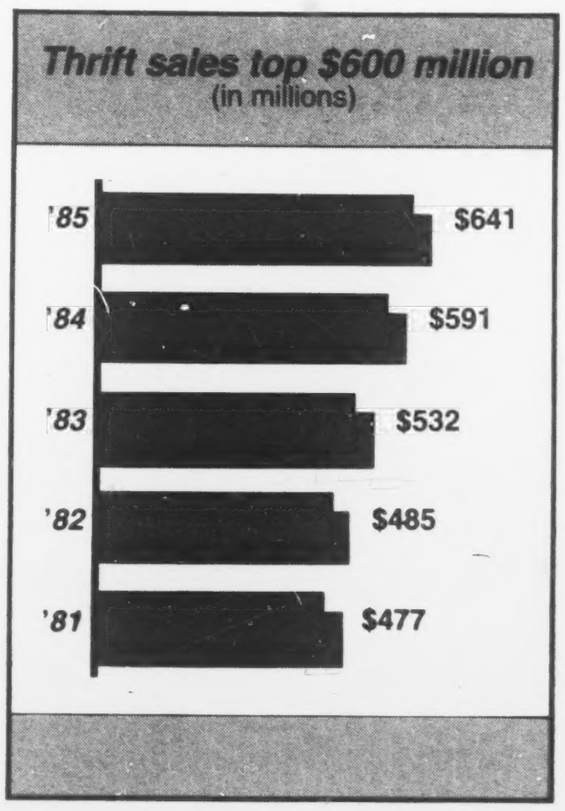
Prescriptions remain one of the mainstays of Thrift's drug store business, accounting for 34% of total sales. Last year, the chain dispensed a total of 19.1 million scripts. But perhaps the strongest growth occurred in its mail-order pharmacy business, which the chain says is experiencing "substantial growth." Thrift is one of the leaders in this field of operations.

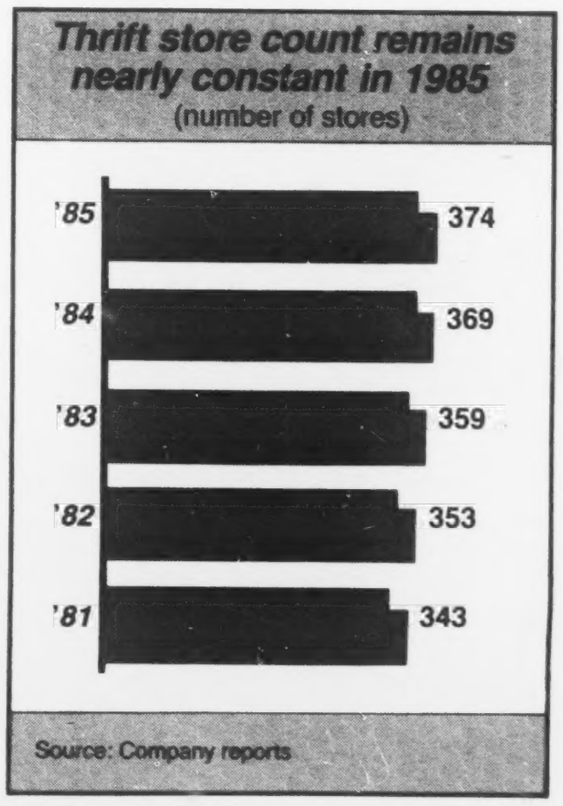
Altogether, 98% of Thrift drug stores are managed by a registered pharmacist. Typically, Thrift drug stores average 8,500 sq. ft. of selling space, with a heavy emphasis on pharmacy. Since the mid-1960's, the chain has also sponsored a student assistant training program, which doles out loans to pharmacy students who come to work at Thrift. The program continues to be successful.

While many other chains during 1985 diversified into new formats—most notably deep discount and combination stores, Thrift has chosen to stick to the basics. However, the chain did experiment with one hybrid convenience food and deep discount drug unit in Monroeville, Pa., last year and will continue to operate this store.

The hybrid, a one-of-a-kind Savon store, reached $4 million in sales this year, according to reports. The store is averaging about $80,000 per week. Thrift converted the store into a deep discounter with convenience food and an optical department after a neighboring Kroger food store was replaced by Phar-Mor, a deep discount food and drug store.

Pittsburgh is one of Thrift's major markets, with about 65 drug stores. The hybrid Savon store is within the Metro Pittsburgh Area, a highly competitive drug store market. Thrift apparently reacted swiftly when the deep discounter Phar-Mor moved in next store.





However, the chain stresses it has no plans to open more hybrid stores.

In other areas of operation, Thrift now has computerized 360 of its stores and is looking at point-of-sale scanning systems for its frontend merchandise. The scanning system will be separate from its pharmacy computer system.

Last year Thrift also completed its drive to help save the financially troubled Pittsburgh School of Pharmacy through the support of chain drug stores. Donald Bell, vp-public affairs, and Francis Marasco, vp-personnel, helped organize the drive, which now includes a manufacturer, wholesaler and the NACDS. The group plans to present an endowment fund to the school.

In 1985, the Chain Drug Scholarship Fund was established for the pharmacy school and included six scholarships from the money raised from the drive. More funds are currently being raised.

Thrift's parent, J. C. Penney, had a difficult year, as soft sales in general and a buildup of inventory after Christmas 1984 had a significant impact on the company's earnings. During 1985, sales increased 2.4% to $13.8 billion, from $13.5 billion in 1984. However, earnings declined 8.6% to $397 million, from $435 million in 1984.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

The pharmacy is on the left side of the Key prototype, next to cosmetics and OTC/H&BA. Key store managers are pharmacists who have completed at least five months of training.

Customizes mix to locale:

Variety of its takeovers forces Key to design two prototypes

WILSONVILLE, Ore. — Because of the variables in size, configuration and locale, Pay Less has designated two stores as prototypes for its downsized Key Drug stores.

The prototype for the smaller store (under 9,000 sq. ft.), in Milton-Freewater, Ore., is 7,500 sq. ft. The prototype for the larger store (over 9,000 sq. ft.), in Stanwood, Wash., is 14,000 sq. ft.

There are variations in size because most Keys are takeovers of independent drug stores.

The layout of the Stanwood prototype is a cross between a Pay Less super drug store and a traditional drug store. Photo is in the right front corner, followed by hardware, sporting goods, automotive, housewares and toys-games.

Cosmetics are in the left front corner, followed by pharmacy, OTC and H&BA, with detergents/cleaners and domestics on the back wall.

The Milton-Freewater prototype, which closely parallels the traditional drug store, has some housewares, but no sporting goods, soaps, detergents, auto or hardware. As a result, drug/H&BA has been extended.

Pay Less considers pharmacy, cosmetics, photo, OTC/H&BA and school/stationery as traditional drug store departments.

At Key, there are 35%-40% fewer cosmetics sku's than in a 23,000-sq.-ft. Pay Less. More than 80% of Key's merchandise is shipped from Pay Less' central warehouse. Categories not centrally warehoused include domestics, greeting cards, seasonals, boxed candy and some food.

Both prototypes have built-in flexibility for customizing the mix to the area. For example, the smaller prototype does not usually carry sporting goods. However, the newest Key (opening in Myrtle Creek, Ore., in May) is 8,100 sq. ft., and will carry sporting goods, because it is located in a hunting/fishing area.

Movement in all departments is carefully monitored, and additions and deletions are made in every section up to six times during the first year.

In addition, the manager/pharmacist regularly walks the store, checking code dates. If the category hasn't turned in three months, it is discontinued.

Key store managers are pharmacists who have completed five months of training. Currently, there are 15-18 trained pharmacist/managers awaiting a store. Twice that number of Pay Less pharmacists have signed up for the Key manager-training program.

Currently, Key operates six stores in Washington, Oregon and California and won't go to additional states until these markets have been clustered.

Key expects to have 100 stores in operation within the next three years.

Pay Less NW expands; to double size in 3 years

WILSONVILLE, Ore. — As Pay Less NW crested the $1 billion sales mark in the fiscal year ended Jan. 25, 1986, the rallying cry from parent K mart remained unchanged: More. More store, more volume, more market share.

The expansionist theme was sounded soon after K mart acquired Pay Less in March 1985, when Bernard Fauber, K mart chairman, said one of the criteria for acquiring a company is that "management must enthusiastically endorse a commitment to rapid expansion."

As a result, Pay Less plans to double the number of stores—and its volume—in three years.

It's a tall order, but then Pay Less plans to move into new markets. For starters, the chain will open its first Montana drug store in fiscal 1986 (Bozeman) and then follow with another in 1987 (Helena). Observers say the company will first expand to contiguous states and eventually become a national chain.

To make the transition from regional to national, Pay Less is flying with four prototypes. This gives the chain the flexibility to go into markets of varied sizes and demographics.

The prototypes:

- The 31,000-sq.-ft. super drug store. Most of today's Pay Less stores are 29,000-30,000.
- The 23,000-sq.-ft., scaled-down super drug store. This prototype was introduced last year to gain entry into trading areas that cannot support a 31,000-sq.-ft., store.
- Key Drug, a downsized store (6,000-10,000 sq. ft.). Key goes into locales that cannot support a 31,000- or 23,000-sq.-ft. unit.
- Value Giant deep-discount drug store. To date, there are three—all remodels of existing Pay Less super drug stores.

Observers feel that Key Drug will fly the fastest—and with justification: Plans are to open 100 Keys in the next three years.

Currently, there are seven Keys in three Western states.

What does Key look for in sites? Basically, adequate parking, a population draw of 5,000 to 10,000 people, and a grocery store to pull traffic.

Pharmacist also manager

What differentiates Key stores from other convenience stores-with-pharmacy such as Thrifty Jr. is that the Key pharmacist is also the store manager. By having the store manager/pharmacist spend half his or her time filling scripts, the store can fill almost as many as conventional Pay Less, which employs 2½ pharmacists. Thus, the labor saving is substantial.

Six of the first seven Keys are buyouts of independent drug stores; and because there are variables in size, Pay Less has designated two stores as prototypes. One (in Milton-Freewater, Ore.) is for stores under 9,000 sq. ft., and the other (in Stanwood, Wash.) is for stores over 9,000 sq. ft.

The big question mark in Pay Less' operation is Value Giant, the deep drug discounter. The first Value Giant opened in Portland, Ore., in July 1984, followed by two in Hayward, Calif.

Pay Less is silent on its plans for Value Giant, but drug watchers in the Pacific Northwest feel that the past year has been one of testing—for example, raising the quality and price points of departments such as domestics, and adjusting the space for food.

Prototype for expansion

Observers feel that when the fourth Value Giant opens, it will combine the best features of the existing three—plus some innovations—and will be the prototype for expansion.

As for Pay Less super drug stores, they are taking a page out of K mart's book by installing apparel departments in all stores in the 30,000-sq.-ft. range. All apparel departments should be in place by the end of 1987.

Although Pay Less has drawn on the expertise of K mart, the apparel department is being run by Pay Less. Even so, there are similarities: Price points are in the medium range, and both use apparel fixtures.

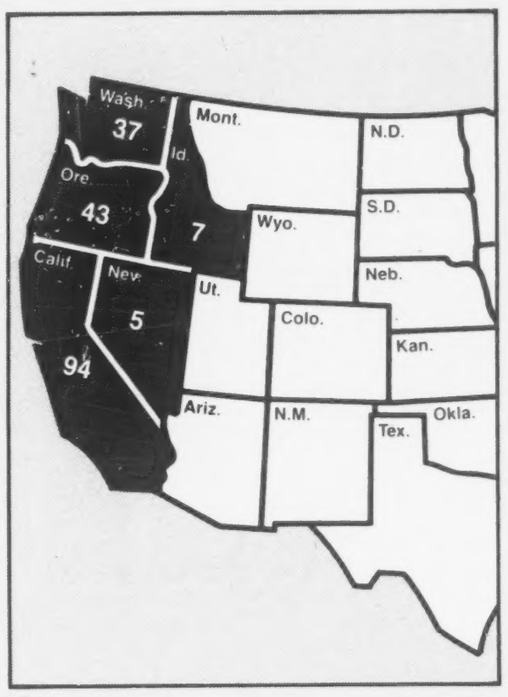
One difference is that Pay Less departments will be smaller—most will be 4,000 to 8,000 sq. ft., as compared with 15,000 sq. ft. for K mart.

The appeal of apparel is that even with markdowns, the department generates higher gross profit dollars than many other departments in a super drug store.

However, some skeptics—including a former Pay Less exec—question whether turnover justifies the space.

Pay Less Drug Store locations

Oregon (including three Key Drug and one Value Giant)	43
Washington (including two Key Drug)	37
Nevada	5
California (Including two Key Drug and two Value Giants)	94
Idaho	7
Total	186



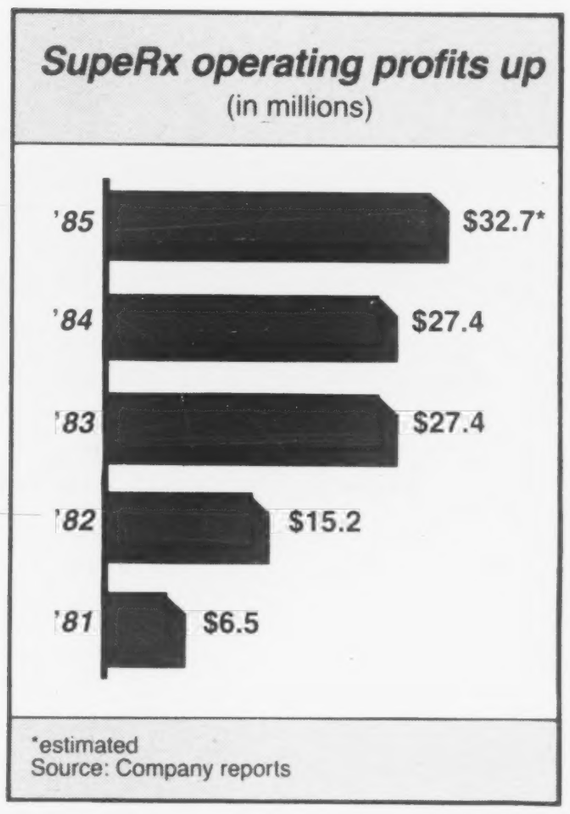
THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

SupeRx builds deep discount; parent buys Hook

CINCINNATI — SupeRx made a major new commitment to deep discount stores in 1985 and gained a new partner for its conventional store operations with Kroger's acquisition of Hook Drug.

At year's end, SupeRx bolstered its discount store offensive, buying five Warehouse Drug stores from the Fort Mitchell, Ky.-based Mi-Lo Inc. Simultaneously, the Midwest chain launched three new prototypes for its Drug World deep discount stores. SupeRx ended the year with 21 discount units in eight states, the largest arsenal of low-price drug stores among conventional chains.



The moves accelerated a shift from what had recently been a defensive posture in low-price retailing, particularly in Columbus, Ohio, where the chain had been forced to convert several of its conventional stores into Drug World units, in the face of stiff low-price threats from Drug Emporium, Cub Foods and Phar-Mor.

With new prototypes in Louisiana and Georgia—10,000 sq. ft. larger than Drug World's 12,000-sq.-ft. model store—SupeRx moved squarely on the offensive. It intended to experiment with higher grossing items and refine its expertise in buying on deal merchandise.

Besides allowing entry into the new deep discount markets of Cincinnati, Lexington, and Louisville, Ky., the Warehouse Drug units provided profitable operations, with a ready-made customer base, and a Kentucky-based warehouse that SupeRx is leasing from Mi-Lo.

Kroger's February $161 million purchase of the 314-store Hook Drug chain yoked two regional powerhouses covering 22 states under a single umbrella.

SupeRx officers said both companies will benefit from operational synergies between the two chains, although the chains are different in store size, merchandise mix and retailing outlook in some aspects.

SupeRx is a promotional chain that emphasizes seasonal merchandise in stores of typically 10,800 sq. ft. Hook, on the other hand, has relied on core H&BA, cosmetics and prescription sales in building average 34% gross margins, the industry's highest. Its stores average 6,000 sq. ft. Both chains achieve high prescription sales, with SupeRx's accounting for 34% of total sales, and Hook's, 37%.

In spite of the differences, Kroger began achieving efficiency through coordinating operations in some areas.

In September, to promote economies, 27 SupeRx stores in Hook's market areas of central Indiana (mostly Indianapolis) and east central Illinois were turned over to Hook's control. Five Hook stores, in south central Illinois and west central Ohio, fell under SupeRx management.

Hook then took over SupeRx's home health care experiment in Nashville, benefiting from extensive experience in the field through its 17 Convalescent Aids Centers.

SupeRx is a promotional chain that emphasizes seasonal merchandise in stores of typically 10,800 sq. ft. It has 21 discount units in eight states, the largest arsenal of low-price drug stores among conventional chains.

Kroger, SupeRx and Hook's parent, added 24 new SupeRx stores and remodeled 24 more last year. Doug Reeves has operational control of SupeRx stores, such as the one pictured here, as well as of Hook units, under the drug division president, Wolken.

Then in March, drug division president Gerald Wolken announced that Hook chairman and president Douglas Reeves would take over operational control for SupeRx stores as well as Hook, reporting to Wolken.

A 44-year-old pharmacist, Reeves said he expects both chains to continue improving through their joint association. Observers predicted a stronger emphasis with SupeRx on health care, given Hook's success in the area and the field's strong growth potential.

Kroger showed continued commitment to the drug store business through the Hook buy and through strong new growth and remodeling programs for both chains. It added 24 new SupeRx stores and remodeled 24 more. Hook grew by 17, totaling 318 drug stores, with 18 more remodeled. The company reported that in the 1985 fiscal year ended in December, it opened and acquired 331 drug stores, including Hook. It closed 33 stores, ending the year with 872 drug stores.

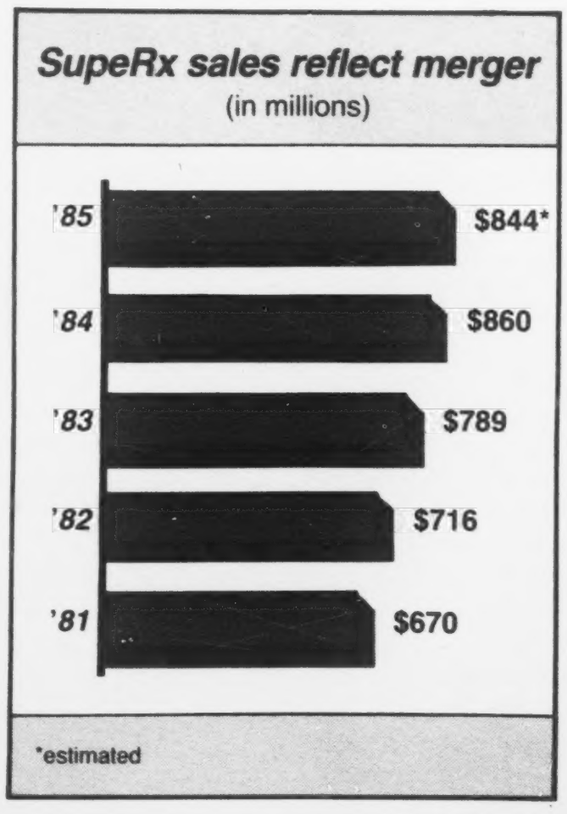
The SupeRx chain totaled 550 stores at year's end, compared with 620 a year earlier. The difference resulted mostly from the assignment of the 27 stores to Hook control (with the stores still operating under the SupeRx name), and by not counting 14 SupeRx minifood/drug combo stores in the drug store total.

Kroger's total drug store sales were up 35% from 1984, from $859.5 million to $1.157 billion, counting 10 months of Hook sales. Also accounting for partial year Hook earnings, operating profits grew 63%, from $27.4 million to $44.1 million.

Kroger reported that same store drug store sales were up 5.5%, in line with SupeRx sales growth last year. It said average drug store sales per square foot rose from $125 to $148.

Kroger, the country's second largest food chain in sales, emphasized growth in convenience stores and supermarkets, particularly in its food/drug combos, posting record sales and earnings. Sales grew 7.5% to $17.1 billion, with earnings up 15% to $180.7 million.

SupeRx officers said Kroger capital spending should continue at previous year's growth, with about a $300 million budget for 1986. New drug store openings and remodels should keep pace with recent years, with 25 new stores per chain, and 25 to 50 remodeled.



THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Gray Drug Fair believes turnaround is on track

A tightening of inventory controls and several key upper-management changes boosted Gray Drug Fair's 1985 operating profits to $6.6 million, the highest in three years. Sales rose 8%.

After a disastrous 1984, in which profits plummeted to a paltry $82,000—the worst in the company's history—this past year's performance has Gray management convinced the company's turnaround plan is working.

In fact, according to John Breen, chairman, president and ceo of Sherwin-Williams, Gray's parent company, the sales increase from the drug store segment played a major role in a 6% increase in the corporation's net sales and 19% boost in earnings per share.

Breen credits Gray's marketing organization and a continual refining by its merchandising and operations departments for the improvements in sales and operating profit.

Early this year, Gray reversed its position on downsizing several oversized Drug Fair stores, a plan that had been launched to make that division more profitable.

The abrupt halt in remodeling followed a damaging 1984 third quarter that forced management to turn its attention to increasing sales volume and expanding existing departments.

According to some analysts, if Gray wants to increase sales volume, it will have to get a better handle on what appeared to be a severe shrink problem.

"If they can control the shrink, they could handle the operations end of it," said one analyst. "I wouldn't worry that the new promotional emphasis on building sales momentum would depress margins."

It appeared the fruits of Gray's efforts were beginning to blossom under the direction of Mac Allen Culver, appointed in August 1984 by Sherwin-Williams to head the 460-store operation.

Shrink, which had been running between 5% and 6%, dropped to a livable 3%-4%. Culver increased the number of circulars for 1985 by two, bringing the total to 36, and established an employee sales incentive program.

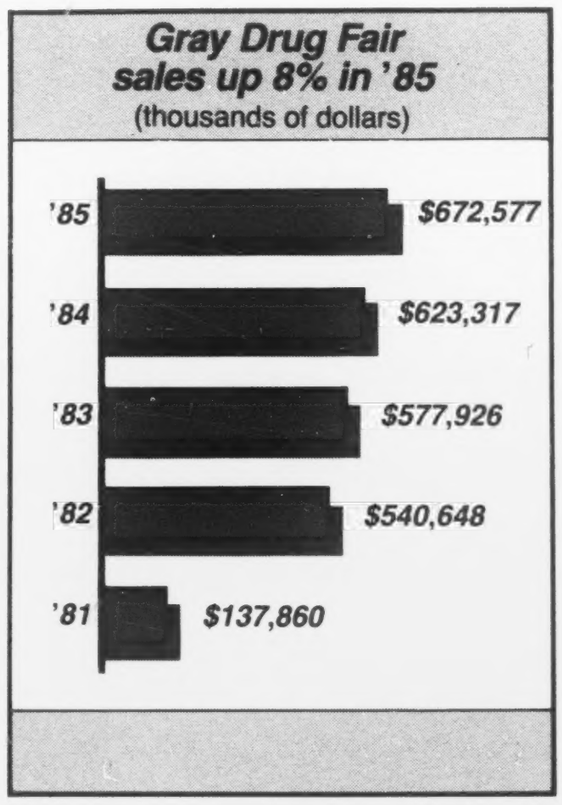
But just as management was becoming confident that Culver's turnaround plans were working, Gray was hit with another set of disappointments.

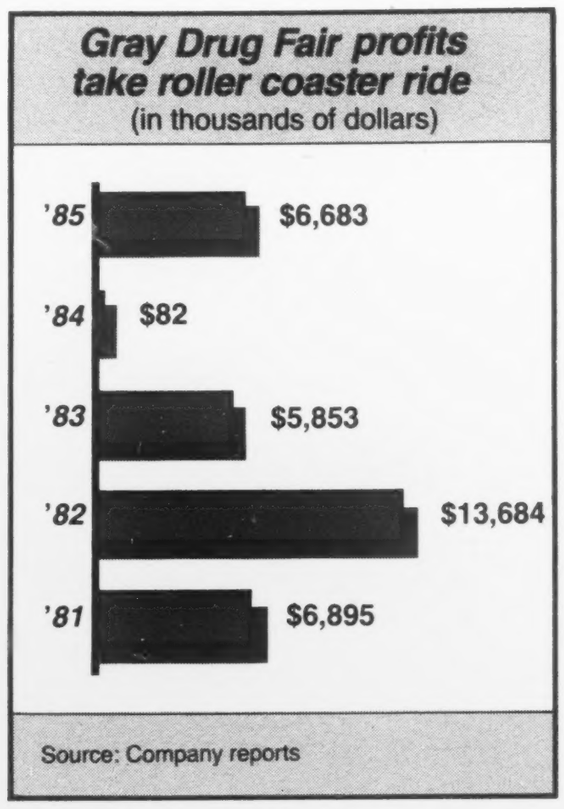
Third-quarter reports showed a $1.1 million operating loss, and Culver announced he would be leaving the company to accept a job as president of the Northwest drug store division of Pay 'n Save.

In his place, Sherwin-Williams appointed group vice president Carl Bellini to take the reins.

Bellini was no stranger to the president's chair. He had served as the chain's interim president prior to Culver. The second Bellini appointment would make him the fourth president to head Gray Drug Fair since Sherwin-Williams acquired it four years ago.

Before his departure, Culver saw Gray's pretax operating earnings increase 77% through the first three quarters of 1984, with sales figures growing to $445.3 million, up 8.3% from the previous year.





Management changes

Determined to make the turnaround work, Bellini made several strategic changes in high-level management in an attempt to strengthen the chain's merchandising and operations departments.

Charles Ortiz, a 23-year veteran in store operations at Skaggs and Rea and Derick, was named senior vp-operations.

Dan Kendzie, who has since left the company, was named vp-merchandising, and Allan Cohen, formerly of Gaylords Discount Stores, was appointed merchandise manager.

Satisfied the chain was finally on the road to recovery, Bellini stepped down from the presidency to reassume his position as a group vp for the Sherwin-Williams group.

In his place, Sherwin-Williams named Jim Mastrian, a former senior vp-marketing, as president of the drug chain.

With Mastrian at the helm, analysts were once again confident the chain would accomplish its planned turnaround.

"The drug stores are a very important segment for Sherwin-Williams," said one analyst. "They can be a huge source of earning power. Now Mastrian can come in, emphasize the positive and improve morale."

And emphasize the positive he did.

Launches pharmacy promotion

Mastrian, a registered pharmacist, believes the chain's strength lies in its pharmacies. One of his first acts was to announce an ambitious pharmacy promotion campaign for nearly 440 stores.

According to Mastrian, "If we are going to get the company turned around, we have got to turn around the pharmacy, our most important ingredient."

The promotional effort called for installation of a chainwide pharmacy computer system, scheduled for completion or near-completion by the end of this year.

With 144 computer systems currently in place, Mastrian feels Gray will be "in a very competitive position in all our markets."

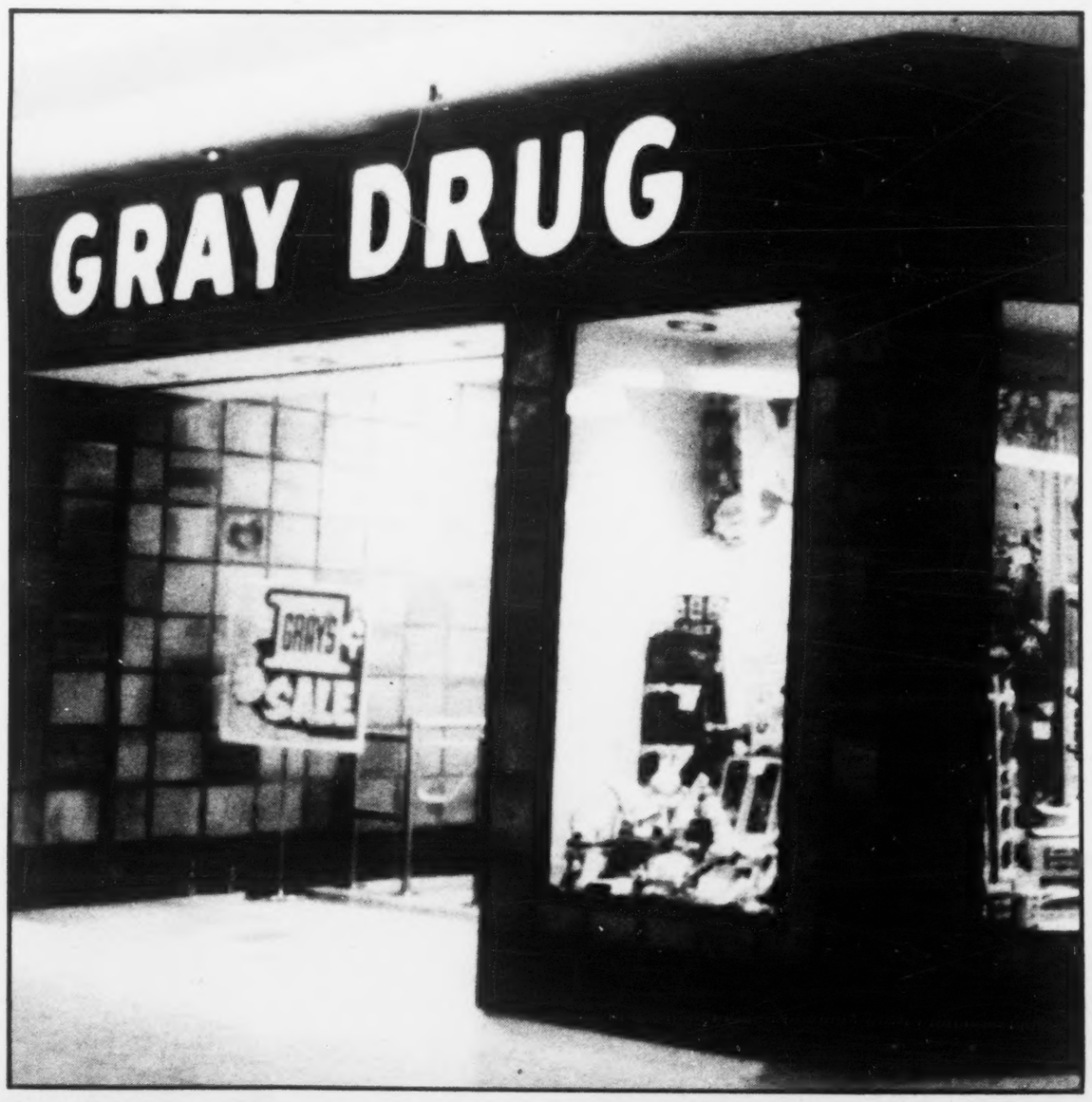
Plans on the drawing board call for a renovation of pharmacy departments that will include improved decor, size and layout.

"We want to make the pharmacy department more accessible to the customer," said Mastrian. "We want the pharmacy to be the focal point of the store."

The pharmacy campaign will complement Gray's total reorganization plans, which take in an aggressive store expansion program for the rest of 1986.

Kicking off the program in late 1985, the chain opened Price King, its first deep discounting operation, in Canton, Ohio. The 20,000-sq.-ft. store is expected to gross between $6 million and $10 million in its first year of operation. The store serves a five-mile radius, with an estimated population of 180,000.

Rounding out the chain's expansion plans are 37 scheduled drug store openings, which will bring the total to 476 by the end of this year.



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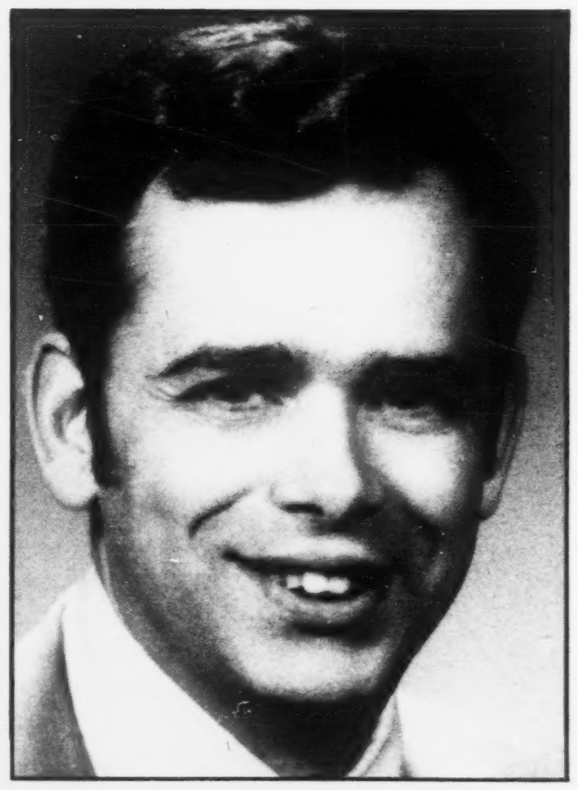

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—Jim Mastrian
president,
Gray Drug Fair

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Adams repositions itself; eyes 10% earnings rise

PAWTUCKET, R.I. — Adams should be a tougher competitor in 1986, despite the distractions of management and ownership changes in the past year.

Indeed, Adams employees told *Drug Store News* they're pleased by the animated leadership of new president and ceo William S. Sudhaus, who came from the investment banking firm Drexel Burnham Lambert this winter.

He replaced James Salmanson, when observers felt new approaches could make Adams more competitive within its 10-state northeastern markets. Salmanson oversaw the start of Adams' "new era," but resigned voluntarily and ended his family's 53-year association with the business.

The outlook for Adams became unsettled when Pantry Pride—its parent since November 1984—acquired Revlon, the $2.4 billion cosmetics and health care company. Adams, which had produced much of Pantry Pride's profits the year before, would be relative small fry.

Before that were late 1985 efforts to sell Adams at a reported $125 million, with no industry takers. When MacAndrews and Forbes, which controls Pantry Pride, pulled Adams off the block, analysts speculated they'd build up the 417-store, $365 million (calendar 1985 sales) chain for sale in a more favorable market.

Now, however, MacAndrews' commitment to Adams seems firmer. MacAndrews wants to move Adams to another corporate vehicle it controls, Compact Video. Adams would be the essential element in transforming Compact from a $41 million company into a $400-million-plus annual enterprise.

There's sentiment on Wall Street that financier Ronald Perelman, MacAndrews' key personality, will make Compact his next large company, using Adams as its focal point. By being visibly tied to Perelman, Adams might gain easier access to outside financing to implement such programs as possible acquisitions, more prime site selections and computer systems development.

Under Sudhaus, there'll be a single-minded focus on strengthening Brooks stores, the banner under which about all Adams stores appear. He told *Drug Store News* recently he's targeting "better than 10% net earnings growth on a 6%-10% rise in volume this year. We'll be more p- and l- [profit- and loss-] oriented than when Adams was family run."

Adams repositioning will include more competitive pricing, better locations and experiments with new merchandising departments such as video rental. Better MIS capabilities and better store supervision will fortify operations.

Sudhaus wants Adams prices "on a par with other chain stores that stress convenience and assortment rather than price. We're not a discounter, but we won't be a high-priced player anymore."

Site selection

Moreover, bolder site selection strategies should be evident in the chain's estimated 30-40 new stores in 1986. Adams will search for "first-class sites," including malls, and ownership and landlord roles in other shopping centers and business districts, said Sudhaus.

"We'll aggressively go after the best real estate we can find," he said, noting that Adams used to pass up prime sites because they surpassed a threshold of what the company would pay. "Less than 10% of our sites are now owned. More than 70% are in small- to medium-sized towns. We can grow where we are and in metro areas," Sudhaus added.

To support tighter merchandising efforts, Adams has made rapid MIS development a priority. The chain might immediately test scanning in 10% of stores and begin a midyear rollout of pharmacy computers, following a 10-store test throughout this past winter.

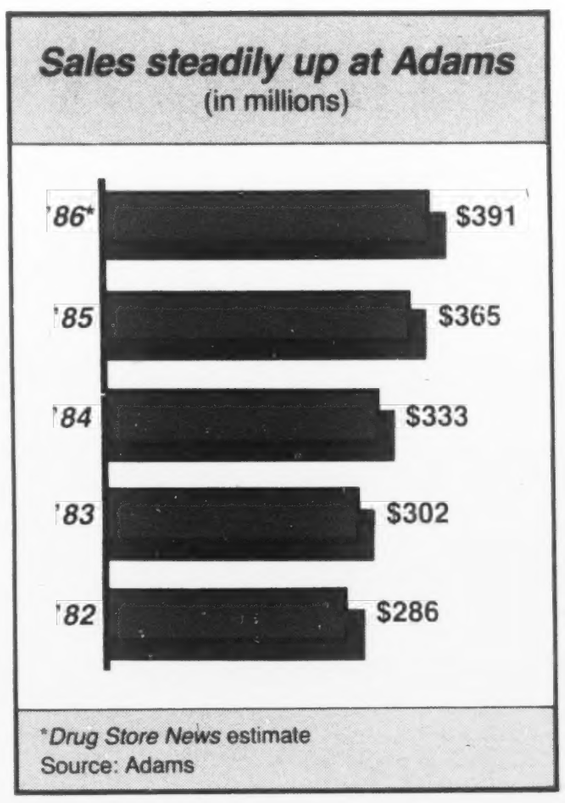
Strengthen field staff

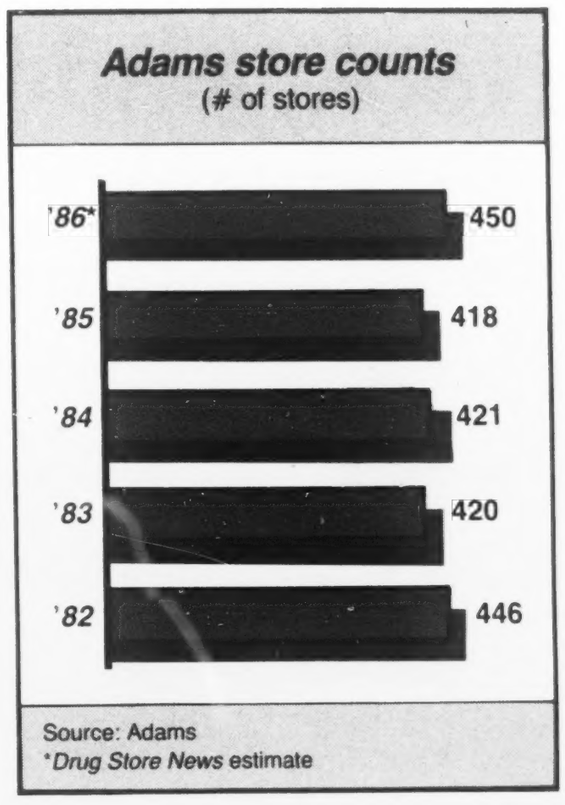
Sudhaus will also strengthen the field supervisory staff as a step to prepare the chain for possible acquisitions. Whether or not Adams takes over new stores, Sudhaus wants field managers closer to each existing store, "so a supervisor might handle 13 locations instead of 20. It'll create more opportunities and mobility for managers," he said, while enabling Adams to better assimilate new store growth.

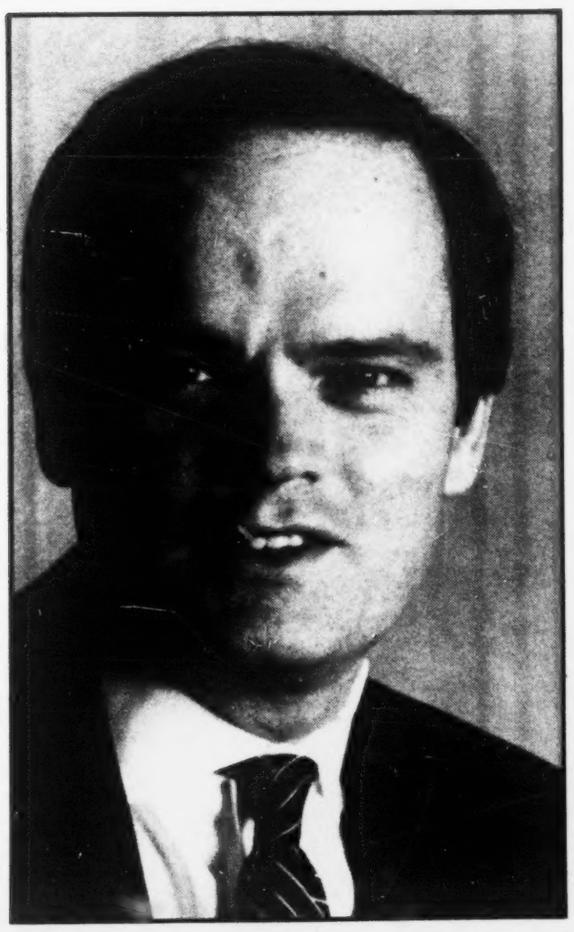
If Adams does become acquisition-oriented, it'd be borrowing a card from the deck of its parents. Pantry Pride itself acquired Adams and Devon Stores in recent years, as it shifted its business away from supermarkets. Its recent Revlon takeover was one of the blockbuster deals of 1985.

MacAndrews stepped in to acquire controlling interest in Pantry Pride last May, after the latter's $14.5 million legal battle to stay out of the hands of disenchanted stockholders from Devon.

MacAndrews has built its successful track record on diverse businesses—licorice, chocolate and cigars, and now video and retailing.







"We'll be more profit and loss-oriented than when Adams was family run."

—William Sudhaus
President, ceo
Adams

Adams completed conversion of its stores to the Brooks banner, as it looked to strengthen presence in its 10-state northeastern markets.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Hook, under Kroger, reorganizes markets, execs

INDIANAPOLIS — Last year, Kroger, the new owner of the Hook Drug, began to place its stamp on the 86-year-old drug chain by engineering a series of management changes within the company and by reorganizing some of its markets.

The 318-store drug chain headquartered here was acquired in a friendly takeover by Kroger in a cash and stock transaction valued at about $161 million in early 1985. Kroger also owns the 550-store SupeRx drug chain.

Kroger promoted J. Douglas Reeves, chairman and president of Hook, to the additional position of executive vp of Kroger's SupeRx drug stores in a move intended to bolster Kroger's chain drug operations. Reeves continues to report to SupeRx president Gerald L. Wolken, a line of command Kroger established when it purchased Hook. Three regional vice presidents who have reported to Wolken—C. L. "Skip" Morris, Larry Slade and Harold Certain—now report to Reeves.

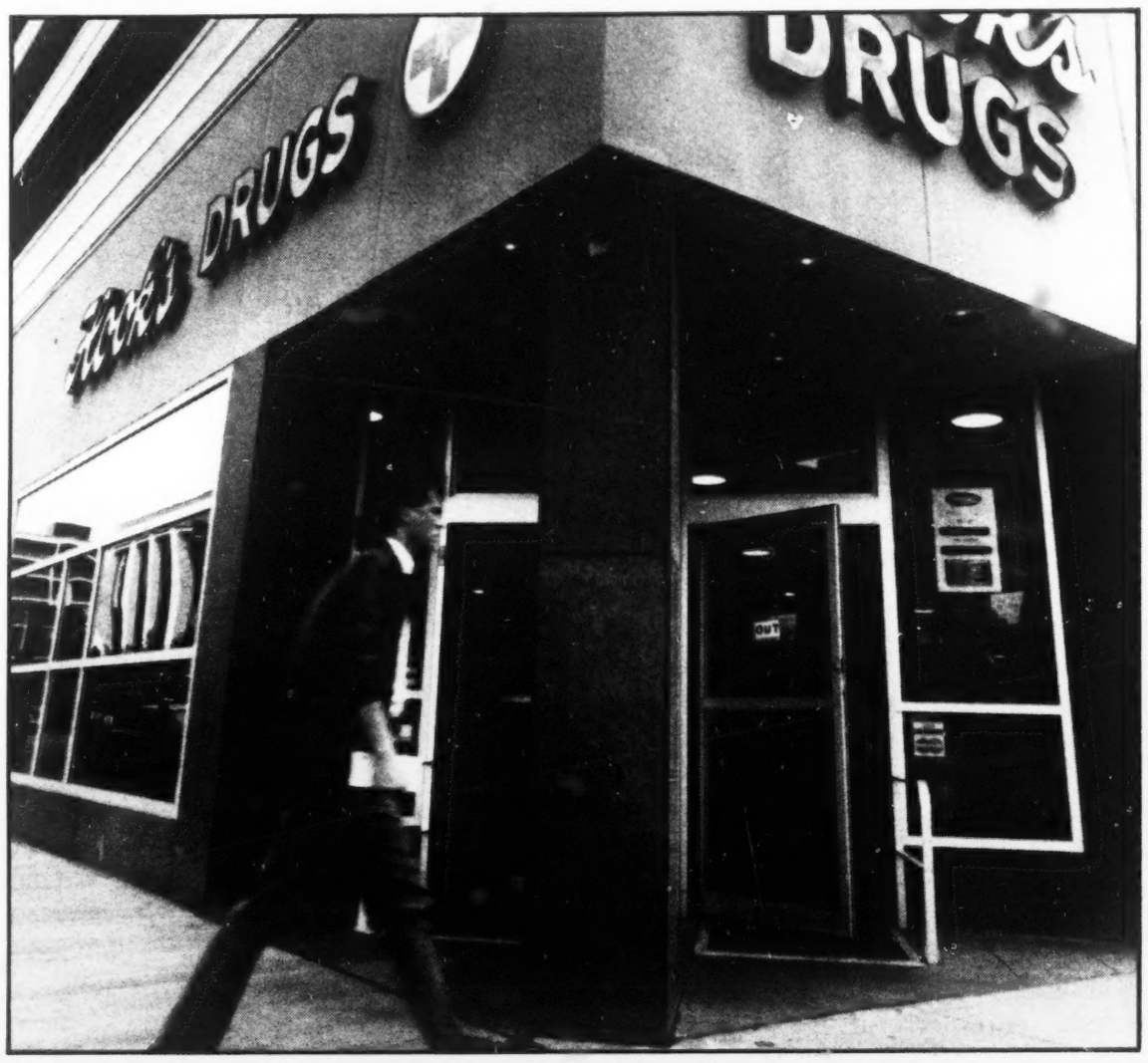
In his new position, Reeves said there are "tremendous opportunities" for the "exchange of ideas and experiences" between the two drug chains.

Indeed, in 1985, Kroger saw such opportunities and took advantage of them to bolster its chain drug operations.

Last September, 26 SupeRx stores located in Hook's dominant marketing areas of central Indiana and east central Illinois were turned over to Hook. At the same time, five Hook stores in SupeRx-dominant areas, mainly south central Illinois and west central Ohio, were turned over to SupeRx management.

And in similar developments, Kroger transferred the management of SupeRx' only Home Health Care store, in Nashville, to the Hook division, which operates 16 home health care stores. The swap gave the store immediate access to the vast buying power of the Hook Convalescent Aids Centers already in that market.

In 1985, Hook opened 17 stores and remodeled 18 existing stores. Pharmacy continued to be a strong sales generator, with scripts accounting for 37% of total sales—among the highest in the industry.



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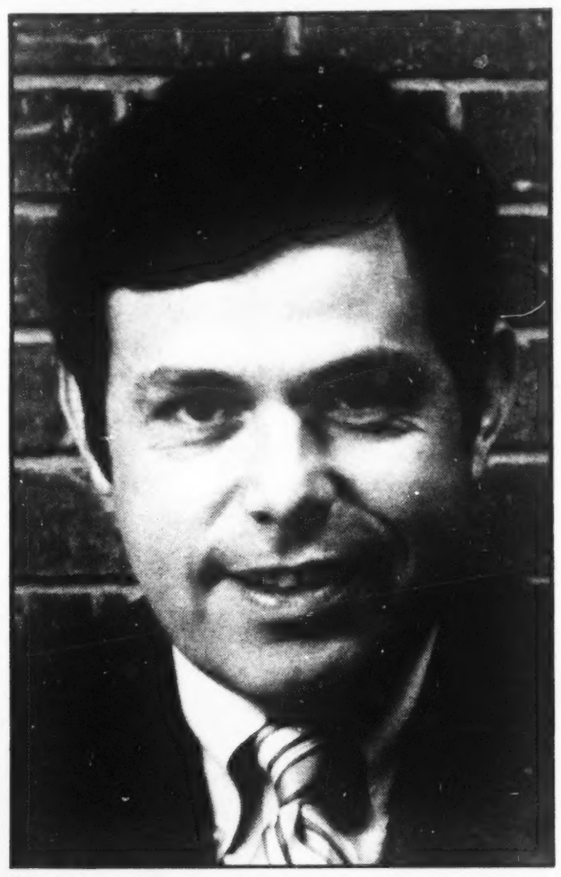


Kroger promoted J. Douglas Reeves, chairman and president of Hook (pictured), to the additional position of executive vp of Kroger's SupeRx drug stores in a move intended to bolster Kroger's chain drug operations. Reeves continues to report to SupeRx president Gerald L. Wolken.

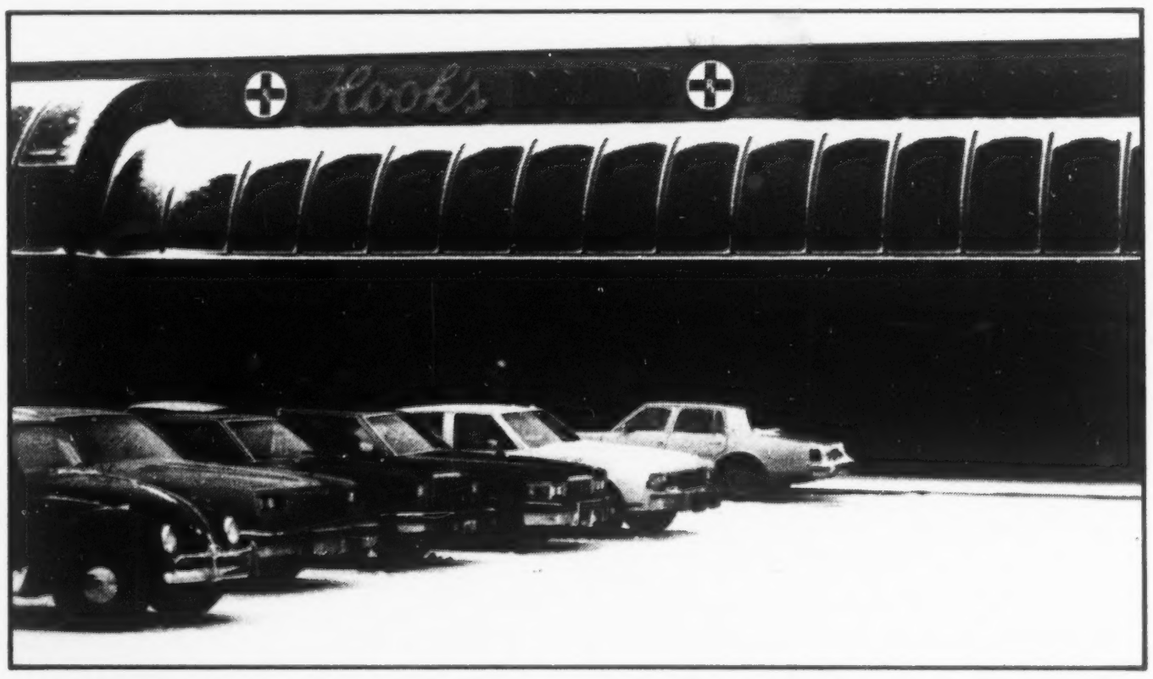
Overall, Kroger did leave Hook fairly free to run its own business as a separate entity. One of the new ventures Hook launched last year was a new customer service and charge card program. Touted as being one of the biggest promotional efforts in the chain's history, Hook gave its customers Promise—a card used to expedite check approval, obtain cash advances or write a check for $25 cash with or without a purchase.

As the first card used to charge purchases in the chain's history, the program provided Hook with a built-in customer list and a demographic base on which to base direct-mail efforts.

The program is administered through the Anthony Wayne Bank of Fort Wayne, Ind. Hook paid a flat fee for the initial setup and was assessed a flat percentage of each purchase charged on the card—a system similar to Visa and MasterCard programs.

Overall, the addition of Hook to Kroger's drug store fiefdom had a sizable impact on its sales and earnings. Kroger reported that in 1985, its drug store sales rose 35% to $1.2 billion from $859.5 million. That sizable increase included 10 months of Hook's sales. Because of Hook's contribution, earnings also soared for Kroger's drug store division, to $44.1 million in 1985, a 63% rise over earnings of $27.4 million in 1984.

For the entire Kroger company, which includes Dillon Food stores, nearly 500 combo stores, and Kroger supermarkets, sales grew 7.5% to $17.1 billion in 1985, while earnings rose 15% to $180.7 million for the fiscal year.



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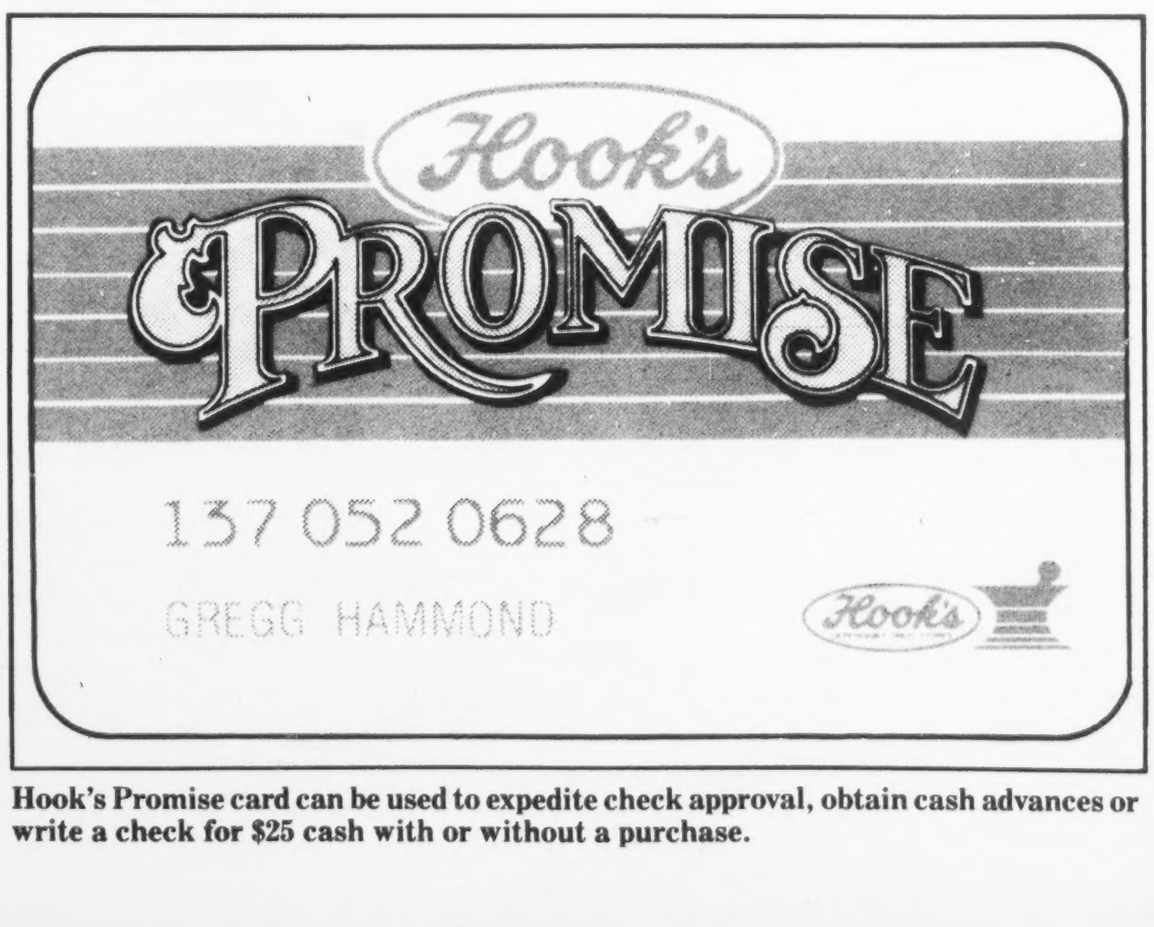
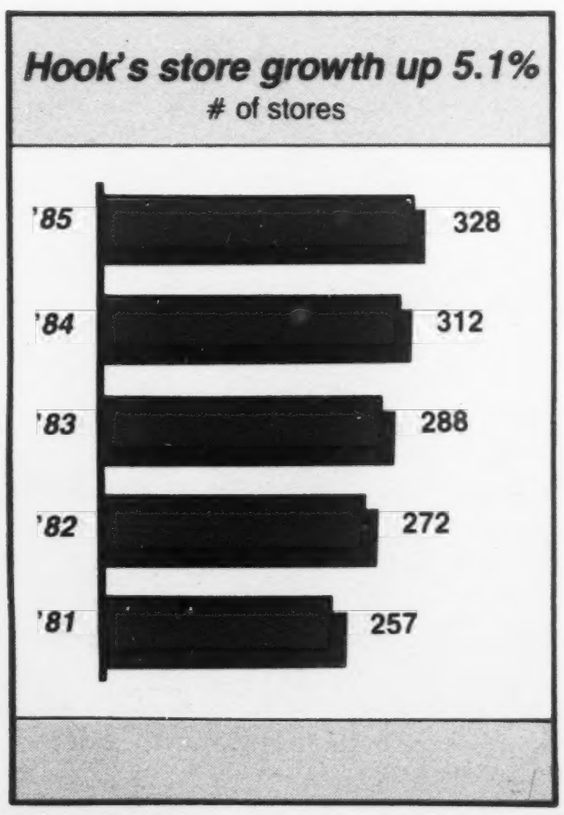


Hook's Promise card can be used to expedite check approval, obtain cash advances or write a check for $25 cash with or without a purchase.



THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Perry to focus on integrating 8-state market in '86

PONTIAC, Mich. — Ending a spree of acquisitions, Perry Drug Stores said it will concentrate this coming year on integrating its businesses within its eight-state market.

Perry posted another year of record sales and earnings. Sales increased 40%, fueled by purchases of drug and auto parts stores and climbing revenues in its health care division, which started two new businesses. Sales went from $375 million to $522 million, in line with a five-year compounded growth rate of 31%.

Net earnings—paralleling their recent history of 33% annual growth—reached $9.6 million, 26% above 1984's $7.6 million.

Following an updated five-year plan, Perry chairman and ceo Jack Robinson told shareholders at the annual March meeting that the chain is now positioned to strengthen its auto parts and health care operations, two key diversification areas that he said promise long-term growth.

Robinson said that after 18 months of acquisitions, Perry would avoid further buys, while emphasizing filling in existing markets. In 1986 it will focus on beefing up its drug store presence in urban markets, such as Detroit and Chicago.

During the year, Perry began assimilating two major acquisitions: the 27-store, Detroit-based Apex Drug chain, which it bought in March 1985, and 47 Corvairs auto parts stores, acquired in December 1984, which pushed Perry into the new market of West Virginia.

In April, officers announced a restructuring that decentralized management of the drug, auto, and health divisions. Mickey Kole, senior vp-store operations, was also named president of the drug store division.

By year's end, president and ceo Donald Fox was able to report that the integration of each unit's operations under the Perry umbrella was well under way, through streamlining organizational structures and adopting uniformity in advertising, merchandising, security, and store design.

In the fiscal year ended Oct. 31, Perry increased its total store count to 367 from 256.

Perry pharmacy sales increased a robust 38%.

By the end of the first quarter in January, Perry had added five more units—four auto parts stores and one A. L. Price deep discount store. In March, Perry was operating 194 drug stores. Fiscal 1986 plans call for 14 new drug stores, including its sixth A. L. Price, planned for a September opening in East Lansing, Mich.

Drug store sales up

Drug store revenue continued its strong growth, although auto parts captured a larger percentage of total revenue than in the previous year. Drug store sales were up 35%, led by $95 million in pharmacy revenues, an increase of 38% over the previous year. The chain moved closer to its goal of 50% sales from the higher-margin pharmacy and auto parts segments, which accounted for 43% of sales.

In drug merchandising, Perry pared back low-return departments by 36% on a store-by-store basis and substantially hiked its private label penetration, with private labels accounting for 11% of the H&BA volume.

Perry's auto parts business continued to grow, and the chain revealed ambitious plans based on projections of growing customer demand in Perry's eight-state Midwest trading area. Perry reduced extensive auto parts departments in drug stores in the neighborhoods where it opened its new Auto Works stores. Eleven of the discount auto stores opened in the year. Perry had 185 at the end of the first quarter 1986 and plans to open 31 more this year.

With their margins of 33% to 35%, auto parts sales grew from $80.7 million (21% of sales) to $125 million (24.4% of sales).

New distribution center

Enhancing its distribution for both drug and auto parts stores, Perry in November completed a 175,000-sq.-ft. addition to its Pontiac distribution center. With a 4.5 mile system of mechanical conveyors and a laser scanning system, the 400,000-sq.-ft. facility increased floor space by 86%.

Perry also launched two new health care initiatives, as the division's sales soared from 1984's $1.6 million to $11 million.

Perry, in a joint venture with the Henry Ford Health Care Corp., opened its first Comfort Care department in a Warren, Mich., drug store. It was followed by three more. The departments offer full lines of durable and nondurable home health care products, and trained assistants.

Perry said at the annual meeting it had amicably dissolved its partnership with the Ford company, which had acted as an adviser. But officers predicted new partnerships with other health care groups were likely.

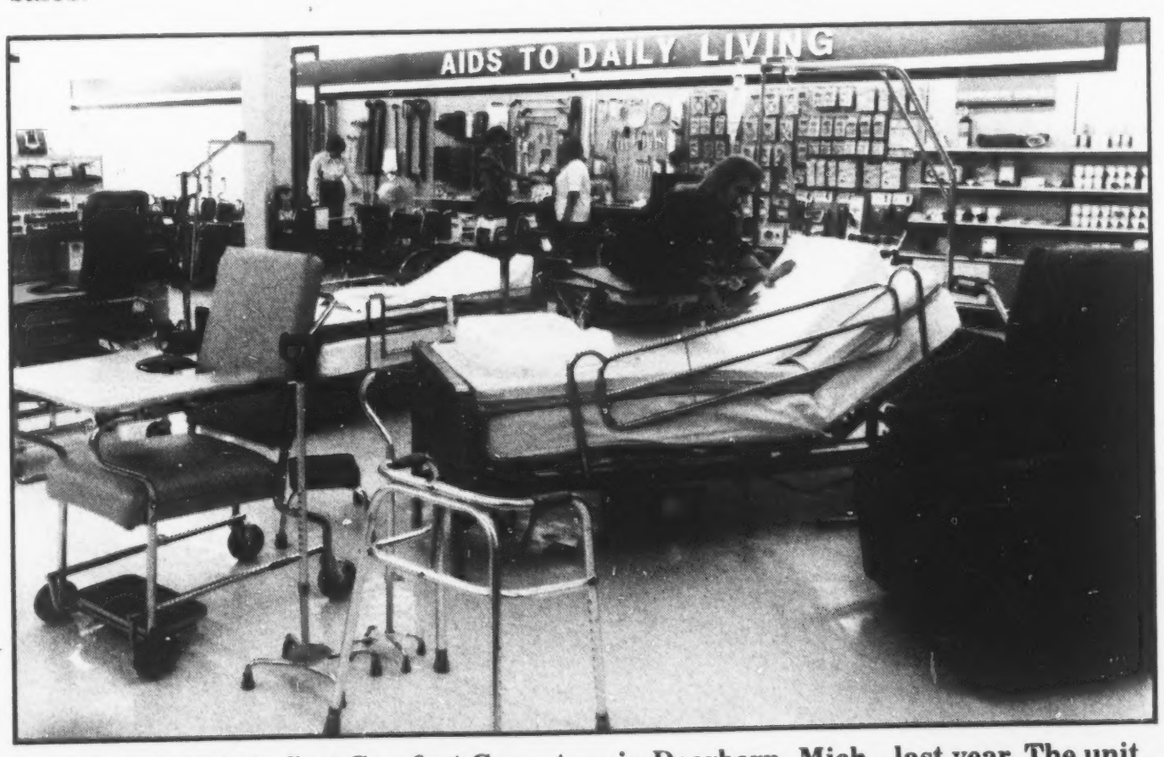
The chain also began its Comprehensive Pharmacy Services, a business for providing drugs to health care facilities. By March, CPS was filling 8,500 prescriptions a month for nursing home patients in Detroit and Grand Rapids, Mich.

Perry HealthNet

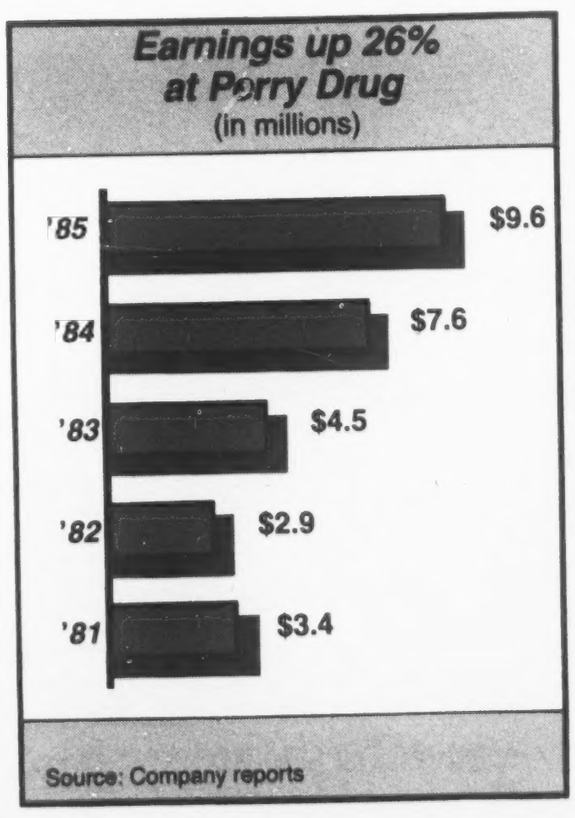
Consolidated under the marketing name Perry HealthNet, the new ventures in health care joined Perry's Flint Medical and Surgical Supply Co., which sells medical equipment; its Bioanalytical Procedures Lab, which offers laboratory services; and its dental care operations, offering services with affiliated professionals.

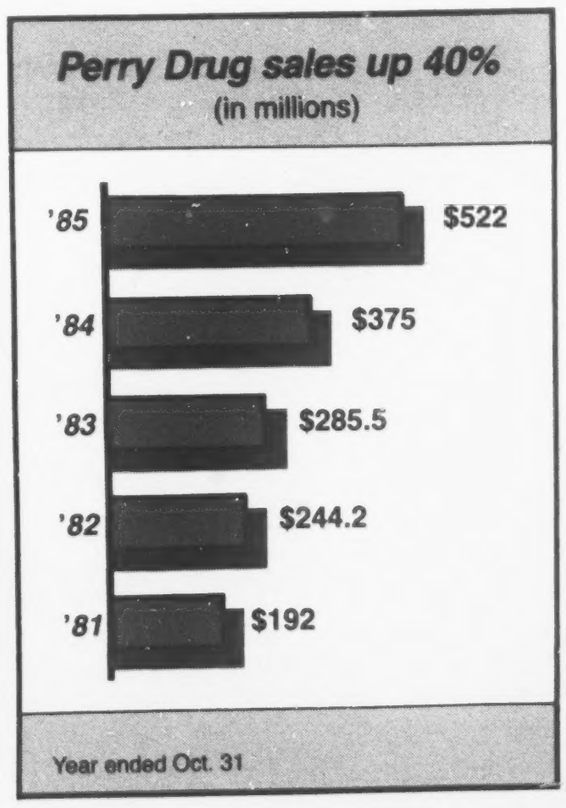
The new year's first quarter supported Robinson's forecasts of a $1 billion company by 1990. Sales and earnings grew, although interest costs were more than double those of the comparable period last year. The increase resulted from the heavy debt load from the acquisitions.

First-quarter sales hit $162.6 million, up 34%, and net earnings totaled $3.7 million, up 6%. Interest costs in the quarter were $2.2 million, compared with $900,000 a year ago.



Perry launched its first Comfort Care store in Dearborn, Mich., last year. The unit, which sells home health care equipment and supplies, was followed by three others.

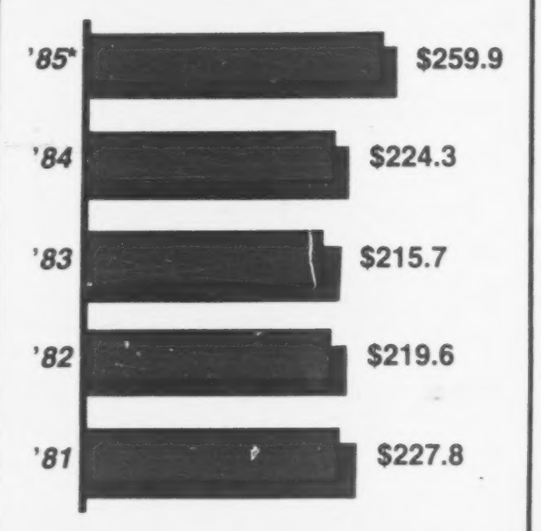




THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

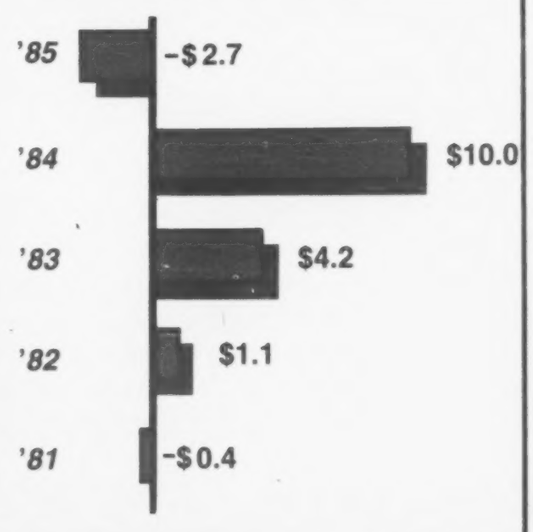
Dart Drug sales
(in millions)



*Year ended July 31

Dart's corporate plans include reasserting its strength as a seasonal retailer and a discounter, while building up its everyday H&BA, prescription and housewares departments.

Dart Drug net income
(in millions)



Year ended July 31
Source: Dart Drug Stores prospectus; reflects changes in fiscal years.

Dart financing to raise image, push expansion

LANDOVER, Md. — Investors are about to tell Dart Drug Stores if they think the 78-store discount operation is on track.

The company was responding to SEC comments at presstime on a proposed $150 million public debenture offering—expected to occur in April—that would strengthen its finances and enable the chain to build more stores and add electronic POS faster.

A bond sale would enhance cash flow by $48 million over the next five years and let Dart retire more than $100 million of remaining leveraged buyout debt without repaying principal until 1994. Executives eye a public stock offering well before then—possibly by 1989—once the chain elevates its store-level image and has its store expansion program well under way.

The company will remain highly leveraged, but without short-term encumbrances.

"We're securing our future, not mortgaging it," said Dart chairman, president and ceo Stephen Hansbrough.

Dart, working toward its $300 million sales goal this year, is moving on several fronts that mark a new direction for the private retailer. Under Hansbrough, who assumed the top spot from former chairman Al Towle last October, Dart plans to:

- Open 8 to 10 new stores annually in each of the next five to seven years. Slightly more than half those stores will be conventional size to help cover about three dozen targeted suburban areas throughout the Greater Washington market. The rest will be a downsized 5,000-sq.-ft. prototype that'll gain Dart access to downtown business centers and densely populated inner-city neighborhoods. Dart in recent months has opened two such stores.

"We want to be the hometown chain . . . be downtown in a big way . . . to service everyone who lives and works here," Hansbrough told *Drug Store News*, adding that no chain has yet focused on the downtown potential of the nation's capital.

- Start a three-month test of scanning in at least two stores by mid-'86, with an eye toward chainwide implementation by mid-'88.
- Reassert its strength as a seasonal retailer and a discounter, while building up its everyday H&BA, prescription and housewares departments.
- Upgrade automotive and possibly hardcover book business, using knowledge gained when it provided distribution, accounting and MIS services to Dart Group's Trak Auto and Crown Books, from the time of management's leveraged buyout in June 1984 through last October.
- Possibly give district managers fewer stores so they can be closer to each and create an emergency sweep team of supervisors to uplift underachieving stores.

Stores averaged $3.5 million last year. In comparison, the downsized prototype is expected to produce about $2.5 million annually, or $500 sales per square foot after 9 to 12 months of operation, and $3.7 million at the end of its second year.

Hansbrough and vice chairman Joseph Santarlasci Jr. are attempting to bring Dart out from the shadow of the Hafts' Dart Group, which they claim "used Dart Drug Stores as the cash cow for Trak and Crown."

Local market observers said Dart still has a way to go to convince shoppers their stores can be comfortable shopping havens. Dart executives conceded that out-of-stocks and poor customer service had been problems, but said they're addressing them while working to improve assortments.

Dart Drug Stores severed all ties with the Hafts last October, freeing space and computer capacity and enabling Dart Drug to raise the share of goods going through its distribution center (DC) to 80% and its chainwide fill rate to 98%.

Extra DC capacity is enabling Dart to be in stock more often, particularly on the 500-600 items advertised weekly in the *Washington Post*. The chain is sticking to its low retail price, low operating expense formula.

At the same time, Dart has moved Total Plus, its five-store deep discount operation, to the back burner.

"Total Plus accounted for 9% of our business. We're better off addressing the other 91%," Hansbrough said.

The Richmond, Va.-based deep discounter was reportedly a major bone of contention between Towle and Hansbrough and contributed to Towle's resignation in January.

A year ago, Towle earmarked plans to double Total Plus to 10 stores in 1985. Not one was added, as the company decided to concentrate instead on its 17 drug/home center combination stores, ranging from 30,000 to 50,000 sq. ft., and conventional stores, ranging from 10,000 to 20,000 sq. ft. Today, downsized stores at 4,000 to 7,000 sq. ft. are also a critical focal point.

Dart plans to open 8 to 10 new stores annually in each of the next five to seven years. Slightly more than half of those stores will be conventional size. The remainder will be a downsized, 5,000-sq.-ft. prototype.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Genovese refocuses on Greater New York market

Genovese, working out the kinks in its 155,000-sq.-ft. distribution center, has raised its non-store-door share of goods from 40% to 62% currently, and expects to handle 75% of store merchandise through the DC by mid-1987.

MELVILLE, N.Y. — Genovese Drug Stores is repositioning itself for a profit rebound in 1986.

By selling eight Connecticut stores to Fay's last year, the 77-store chain skirted further New England competition. Seven Genovese stores still in southern Connecticut now represent its northernmost sites and ambitions; Genovese's sights are trained on New York City boroughs and close-in suburban markets.

Among six new stores planned for fiscal 1987 (ending next Jan. 31), two have opened already in Long Island (Northport and Hampton Bays), and the rest will be within current borders of eastern Long Island to southern Connecticut to central New Jersey. New stores will continue in the current 11,000-12,000-sq.-ft. prototype.

That's one of the few parts of Genovese that hasn't changed lately or is not about to change, according to a recent interview with Donald Gross, vp-marketing.

Genovese now considers itself better able to battle deep discount competition from Rock Bottom and food/drug retailer Pathmark because within the past year, it's gotten itself: a new president; a new, automated distribution center and volume buying discounts; a revamped private label program; more aggressive pricing and better targeted advertising; and a new stress on cost containment.

"There's an excellent bridge between operations and merchandising now," said Gross. He was referring to the mix of Patrick Edwards, who was recruited from Allied Stores last summer to become president, and Allan Patrick, a 16-year Genovese veteran, who had been operations director and now heads merchandising and advertising.

"Edwards brings a highly systematized organizational approach to Genovese," said Gross. Under Edwards this year, Genovese will embark on its first tests of electronic point-of-sale systems.

That could be the next major step toward better inventory control, after working out the kinks in its year-old 155,000-sq.-ft. distribution center (DC); its start-up costs caused disastrous second-quarter operating results. Since its August opening, however, the DC has enabled Genovese to raise the nonstore-door share of goods from 40% to 62% currently. Gross felt Genovese could be at about 75% by mid-1987, about the same time it'll decide whether to pick up an option on an additional 100,000 sq. ft. at the facility.

The impact of the DC has been felt in all departments, but particularly in health & beauty aids, which Genovese stresses second only to pharmacy.

Revamped store brand

Genovese's private label program, which all goes through the DC, also benefited from enhanced distribution capabilities. Genovese totally revamped its store brand efforts during the past year, adding 25%-30% more items to total 400 sku's now, reducing out-of-stocks through better handling and some new vendors, and devoting more space to private label in its chain-wide fliers.

Most important, said Gross, Genovese changed its label and packaging approach to create a consistent look for all its products. "We used to mimic the look of best sellers in each category. We don't do that anymore. We now have a Genovese look," he added, in the manner of Walgreen, Peoples and Fay's efforts.

The result: a 74% private label sales gain over a year ago, when the transition first began, and 45% up in the past six months. He plans no further sku expansion in 1986.

Higher private label margins are helping Genovese to cope with its new, aggressive pricing policy, made necessary by Rock Bottom and Pathmark.

Circle of Value kept

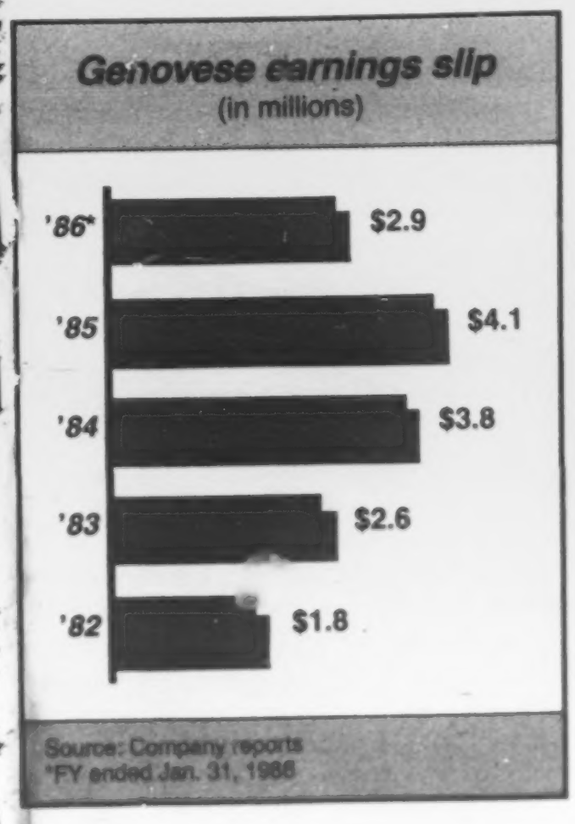
Genovese is still sticking with its Circle of Value program, in which it promotes 200-250 items, largely H&BA and cosmetics, at marked down prices for three or four weeks; the chain then shifts to another mix of 200-250 sku's for the following three-to-four-week period, with some of the same goods remaining on promotion. It's an ongoing year-round program, Gross said.

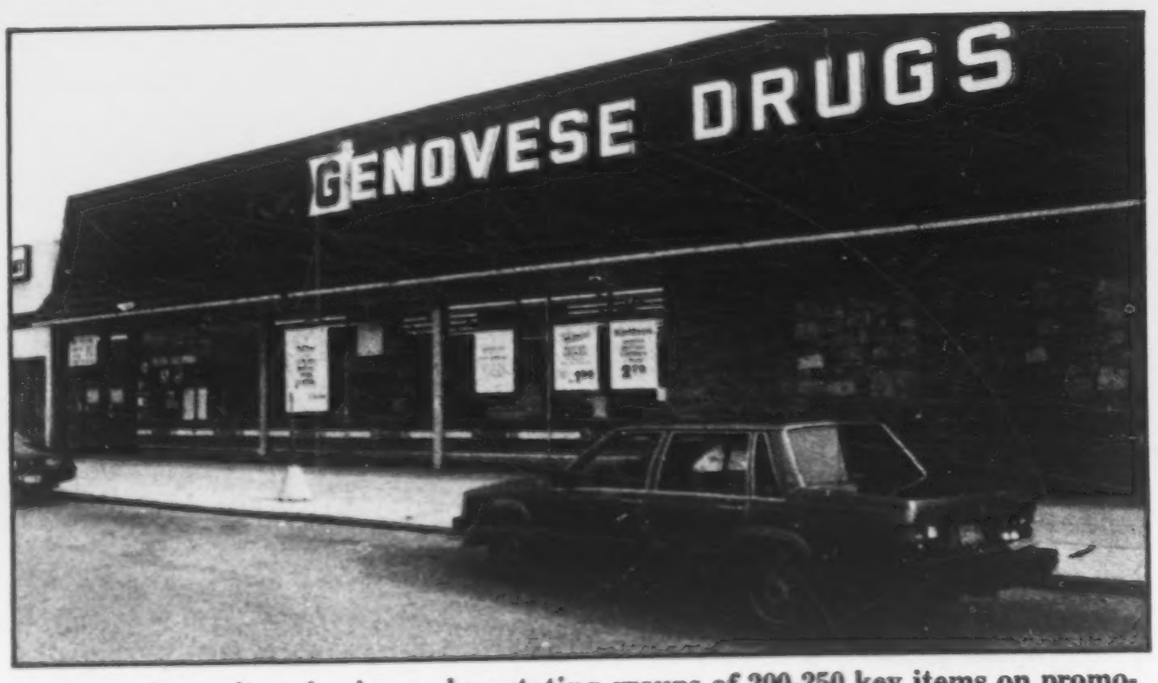
In merchandising, Genovese's priorities remain pharmacy, H&BA, cosmetics, frontend, seasonal and photo, said Gross. He noted 25%-30% sales gains so far this year in stationery, greeting cards and candy, and strong growth in blank videotapes and toys.

Sales so far in fiscal 1987 are up 12%, following a year in which Genovese reported higher sales and lower net earnings.

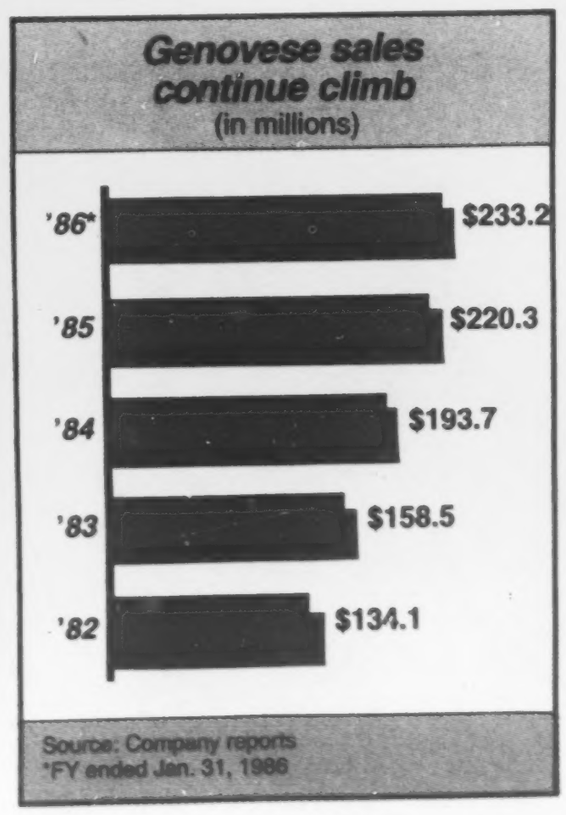
Earnings in fiscal 1986 (ended Jan. 31) were affected by start-up costs of the DC, preopening expenses on nine stores and competitive pricing in its markets, Gross said.

Full-year sales rose to $233.2 million, up from $220.3 million a year ago. Net income slid to $2.9 million from $4.1 million, despite a $2.7 million gain on the sale of nine stores and a parcel of land.





Genovese keeps its price image by rotating groups of 200-250 key items on promotions. At the same time, the chain's sought to improve margins by handling more goods through its DC and buying larger quantities, and revamping its private label program.



THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Medicine Shoppe marks 6th straight record year

ST. LOUIS— On the long march toward its avowed goal of 1,000 stores by 1990, the largest franchiser of pharmacies in the country, Medicine Shoppe, pulled out its sixth consecutive year of record growth and earnings.

Buoyed by exceptional sales in existing stores and a record number of new operating pharmacies, Medicine Shoppe's sales increased 25.7% to $214 million in 1985. Since 1982 the chain's franchisees' retail sales have more than doubled, while scripts have consistently accounted for 90% of total sales.

In fiscal 1985, Medicine Shoppe opened 88 new stores for a total of 565, and the company had a backlog of 169 licensed agreements. And the sales of new franchises during the year rose 43% to a record high of 147 units, compared with 103 in 1984.

Moreover, in 1985 net earnings increased 32% to $2.96 million, from $2.24 million over the same period a year earlier. And earnings per share rose 24% to 84¢ in 1985, compared with 68¢ per share in 1984.

Overall, the company has as much money in cash and short-term securities now as it had after the public stock offering in December 1983, which netted approximately $11.3 million. In such a cash position, the chain is able to finance internally most of its franchises and to hasten the opening of more pharmacies in fiscal 1986.

The basic Medicine Shoppe formula—1,000-sq.-ft. stores in neighborhoods geared toward an older population—enables pharmacists to exercise their expertise while being their own boss. And it enables franchisees to set up shop almost anywhere in the country—Medicine Shoppe is now in 48 states—in neighborhoods where chains may be reluctant to move in because the demographics would not support larger drug stores.

Nevertheless, many Medicine Shoppes do compete directly with large chain stores, and the company contends that it can because of the personal attention each pharmacist-franchisee owner gives customers.

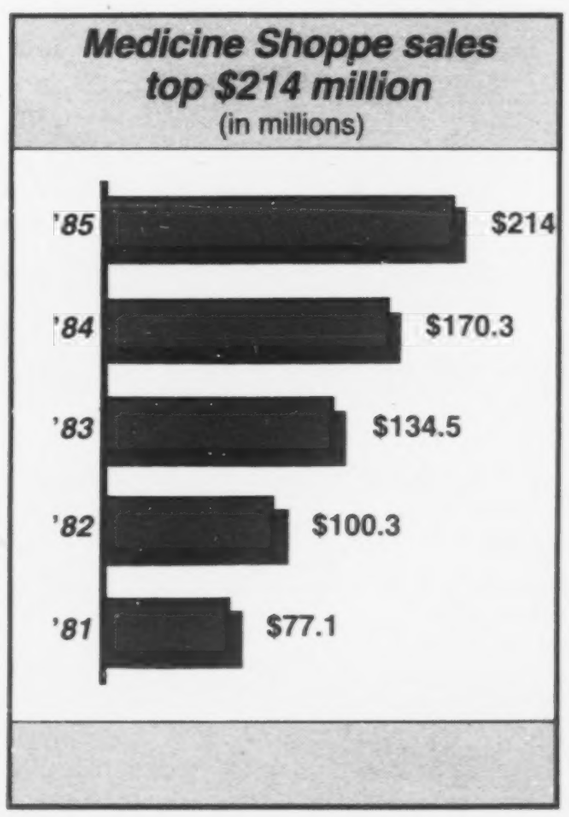
However, Medicine Shoppe also supplies its pharmacists with the marketing, financial, and buying clout to make the franchisee's business successful. That makes good business sense, because the chain skims 5% off the franchisee's gross sales.

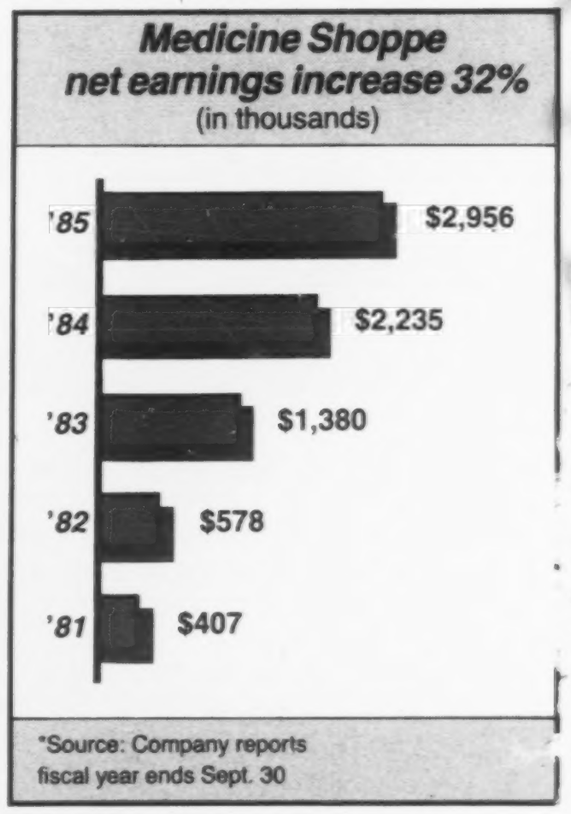
Last year, Medicine Shoppe ran a number of free community service programs designed to bring new customers into the stores and promote the Medicine Shoppe health image. More than 700,000 people participated in such programs, which included the National Mental Stress test.

Another program Medicine Shoppe gave its pharmacists last year—a monthly financial gross profit analysis plus an in-depth analysis of the store's balance sheet—helped more franchisees maintain the bottom line. Medicine Shoppe's failure rate is under 5%.

Jerome Sheldon, the 50-year-old president and ceo of Medicine Shoppe, intends to stick to the basics, eschew diversification and provide pharmacists with as much as it takes to ensure a successful marriage.

Along those lines, Medicine Shoppe recently negotiated an agreement with PM Systems to obtain HMO contracts for its stores. To date, PM Systems has negotiated eight contracts with Maxicare in Los Angeles, a hotbed of Medicine Shoppe activity.





Big 'B' expects DC to pay for itself by year's end

BIRMINGHAM, Ala. — The opening by Big "B" of a $7 million distribution center during its fourth quarter was enough of a drain on the company to drag earnings down by 9% for the year ended Feb. 1.

But with heavy expansion continuing in 1986, the company expects the new facility to begin paying for itself by the end of the first year.

Big "B" reported net income of $4 million for the year, down from the $4.4 million it posted in fiscal 1985. Sales for the year, however, rose 18% to $175.4 million from $148 million. Comparable store sales were up a strong 9%.

"Profits were not real strong all year," said Mac Jones, vp-finance. "Moving the warehouse caused a lot of disruption right when we were trying to shoot Christmas merchandise out the door."

Fourth-quarter earnings were down to $1.1 million, from $1.8 million in the same period a year ago. Sales for the fourth quarter were $53.6 million, an increase of 12% over last year's $47.7 million.

Jones, however, said pharmacy sales—up 32%—were a "bright spot" in 1985.

The 240,000-sq.-ft. distribution center (DC), opened in Bessemer, Ala., in November, replaced a 90,000-sq.-ft. leased facility. The new DC will give Big "B" the room it needs to stock greater amounts of merchandise for its planned growth.

The chain opened 21 drug stores during the fiscal year. It closed one drug store and opened one home health care store. With its five food and drug combos, the chain now has 134 stores. The new distribution center is expected to be able to serve 250 to 300 stores within a 350-400 mile radius.

About two-thirds of the stores opened in 1985 were in new markets. Three new stores were opened in Tennessee, a state the chain had not previously penetrated. Southern Georgia and northern Mississippi are two additional new markets for the chain. It previously had stores only in northern Georgia and southern Mississippi. The home health care store it opened is in Anniston, Ala., a new market for its home health division, although the chain has drug stores there.

For the coming year, Big "B" plans to open another 25 drug stores and two home health care stores, following its strategy to strengthen existing markets.

"Georgia will get the lion's share," Jones said. "Alabama will get the next largest number, and Florida and Tennessee will get a good bit."

Big "B" has no plans to open more food and drug combos; in fact, there were unconfirmed reports during the year that the company was considering selling the five combos it opened last year.

Combos reported faltering

According to analysts, the chain's five B-Mart food-drug combos have been faltering. Only one of the five was said to be profitable. Two were reported to have nearly broken even, with the remaining ones in the red.

Big "B's" management denied the rumors, saying the stores are not doing as badly as reported.

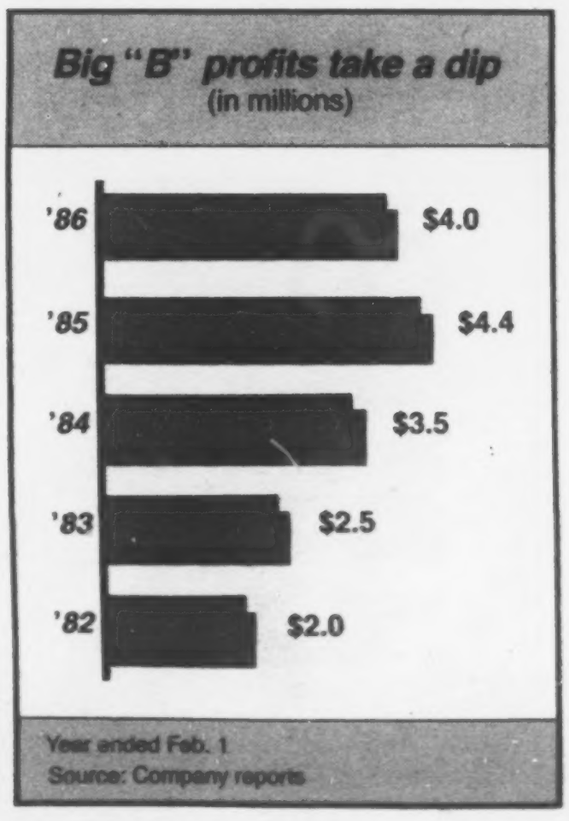
"They operated better than the previous year," Jones said. "They didn't do as much as we'd expected them to do. But they didn't negatively affect the bottom line."

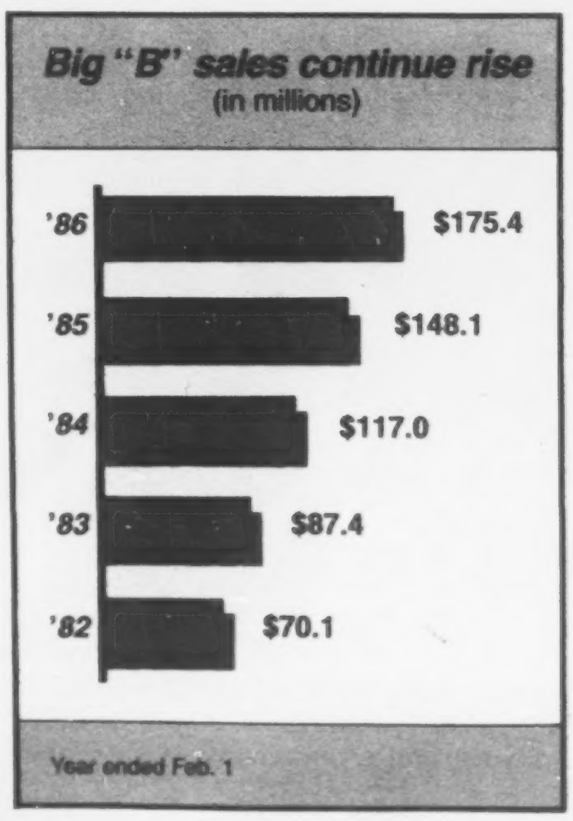
Still, management this past year admitted that the company had moved into the format faster than it should have and said it had postponed plans to open more combos.

Obstacles cited

The biggest obstacle facing the combos, according to Big "B" management, was training personnel. But analysts who track the chain said the stores lack a competitive edge.

The chain's inability to warehouse grocery merchandise was cited as another damaging factor. The food lines are supplied by Super Valu, one of the largest food wholesalers in the country. With food supplied by outside sources, the chain can't offer as many discounts on grocery items as it would like, an analyst said.





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THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Begley diversifies; plans takeovers to forge growth

RICHMOND, Ky. — Despite a disappointing second quarter, Begley ended the first nine months of its current fiscal year with a 35.8% increase in net income and a 10% gain in sales over the same year-earlier period.

Net earnings for the nine months ended Dec. 31 rose to $869,630 from $640,583, while sales increased to $54.9 million from $50.2 million.

Over the past six years Begley sales have increased only about 8% a year—not enough, according to president Bob Begley, to generate the kind of cash flow needed for a vigorous drug store expansion program. At Begley, expansion is financed by internally generated cash rather than public offerings.

As a result, Begley has concentrated its growth in its industrial division, which operates dry cleaning stores, among other things. The reason, said Begley, is that opening a dry cleaning store costs about one-third less than opening a drug store.

So in 1985, Begley opened 17 dry cleaning stores and only one drug store. It also closed one drug store, for a net store count of 43.

"The retail division is a growth division, but it is being held back by a lack of cash flow," Begley said. "While we're getting more profitable, we're putting the money into home health."

Indeed, the company opened six home health care stores in 1985.

In 1986, Begley plans to open another 18 dry cleaning stores and four new home health centers. About four Kentucky drug stores will either be closed or relocated.

However, Begley is planning to add to its retail drug division through acquisitions this year. Currently, nine stores—small chains and independents—are under consideration, according to the president. All are in Kentucky and one state contiguous to Kentucky (Begley would not reveal which state), which is a new market for Begley.

"We're aggressively protecting market share in existing markets and trying to expand in new markets," Begley said.

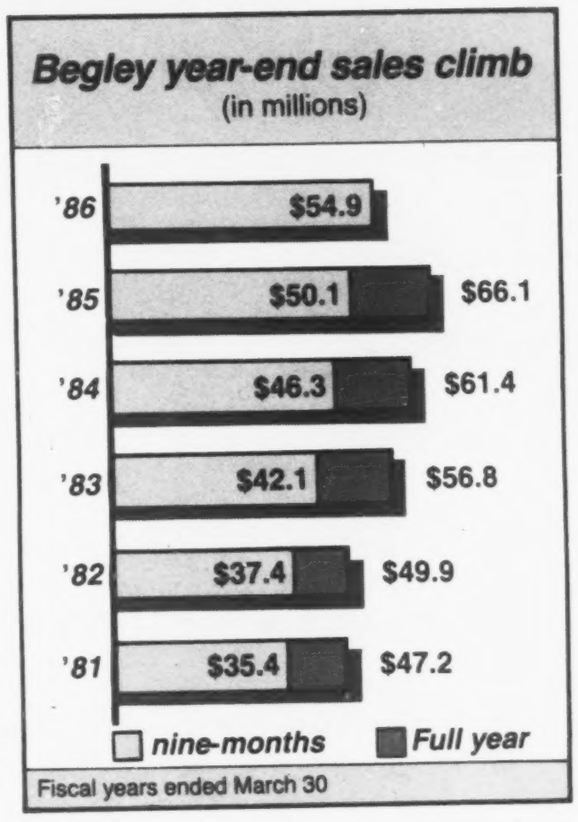
Protection of existing markets has meant strengthening core departments, including pharmacy, cosmetics, greeting cards and vitamins.

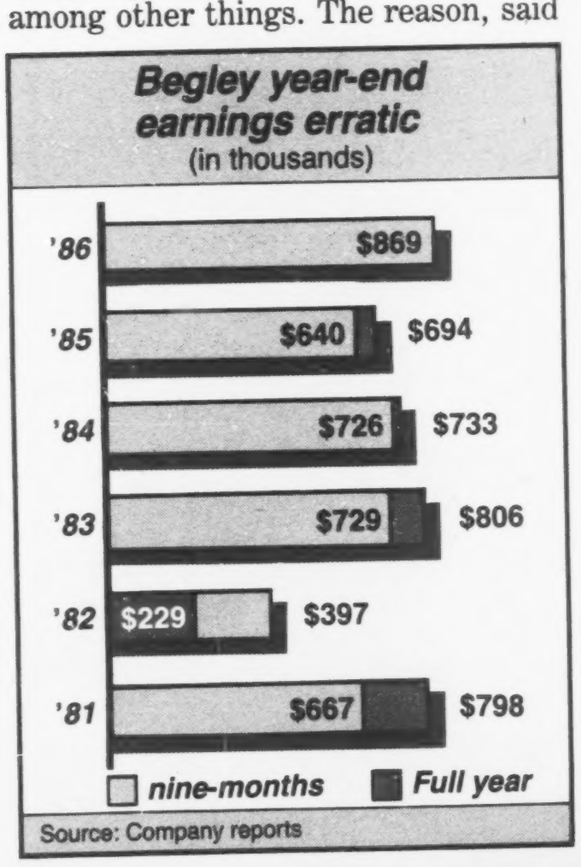
In addition, Begley recently launched its own private-label vitamin line. Begley also introduced convenience foods into a number of stores and added liquor departments and post office substations in some stores.

The chain introduced a toll-free health line for customers to discuss health needs with a staff of health care specialists and to order equipment from home. A catalog is available for this purpose. In addition, a respiratory therapist was added to the staff, and other personnel trained.

A further "protective" measure was the cutting of prices to convince customers that Begley can be competitive with deep discounters. It adjusted prices on 380 health & beauty aids, general merchandise and pharmaceutical products. Discounts were advertised on the radio and in local newspapers in Lexington, Begley's major market. Begley said pricing strategy affected front-end margins by only about ½%.

Begley stores operate in an area dominated by major discount store chains, including K mart, Wal-mart, Rose's and Hacks. That discounting competition has hurt Begley's bottom line.





Begley home health departments in drug stores feature equipment and supplies as well as exercisers.

Protection of existing markets has meant strengthening core departments, including pharmacy, cosmetics, greeting cards and vitamins. Begley also introduced convenience foods into a number of stores.

While Begley has moved cautiously in expanding drug stores, it has moved ahead aggressively with its home health care centers, which now number six.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

Fay's expansion plans unfazed by profit skid

LIVERPOOL, N.Y. — Fay's has just completed its third down year in profits since going public in 1969.

But that won't crimp expansion plans in the chain's drug stores and Wheels and Paper Cutter specialty stores, which are being funded largely by proceeds of last spring's $35 million subordinated debenture offering.

Sales for the year ended Jan. 31 climbed 21% to $445.1 million, compared with $366.7 million a year ago. Net earnings fell 68% to $2.8 million, from $8.7 million a year earlier.

Fay's fourth quarter followed the pattern of the yearlong trend. Sales in the Christmas quarter were up 20% to $131.6 million, from $109.4 million a year earlier. Net earnings skidded 58% to $1.4 million, down from $3.3 million in fiscal 1985.

Chairman Henry A. Panasci Jr. said lower gross margins in drug stores, particularly "intense competitive activity in upstate New York," hurt earnings. He also cited new store opening expenses and a shorter Christmas season, which limited sales of higher-margin seasonal merchandise.

Chainwide gross margins fell about 2½ percentage points. Price wars in Rochester, N.Y.—where Fay's has about one-fifth of its drug stores—drove the chain to lower prices and margins on virtually all merchandise in order to compete with deep-discounter Freddy's and Wegman's food stores. That hurt the corporate sales and profits picture throughout fiscal 1986—though later in the year, Fay's prices crept back up selectively in most markets.

By last summer, Fay's bought eight Genovese stores in less competitive markets in Connecticut and Massachusetts—marking these territories as prime expansion areas for Fay's.

Fay's had no stores in Connecticut and just two in Massachusetts before the takeovers. Panasci wouldn't be specific when asked where new stores would open this year; but the need for advertising and distribution efficiencies pegs both states as likely markets Fay's will penetrate further.

"We could have relinquished our future to achieve short-term profit goals, but we'll penetrate New England markets further," Panasci told analysts recently.

Overall, Fay's plans to add 12 super drug stores at 15,000 sq. ft., seven or eight Wheels discount automotive stores and two or three Paper Cutter stationery/office supply/book/gift stores this year, Panasci said. Fay's at presstime operated 146 drug stores, (including three opened this fiscal year), seven Wheels and four Paper Cutters.

New store plans

Fay's target of 15% new store growth in calendar 1986 falls short of the 30% pace set in 1984 and 24% growth in 1985. During calendar 1985, Fay's opened 20 drug stores, six Wheels and three Paper Cutter stores. "It's not a scaleback, but a normal course of growth for us," Panasci said.

Fay's is also adding nearly 300,000 sq. ft. to its 280,000-sq.-ft. distribution center (DC) in Liverpool, N.Y., to support new store growth and enable Fay's to buy larger quantities at deeper discounts. Panasci expects two-thirds of the expansion to be completed this year and the rest in 1987 at the earliest.

In addition, Fay's last month opened a separate 85,000-sq.-ft. DC to meet most merchandise needs of Wheels and Paper Cutter stores. The larger drug DC will supply specialty stores with overlapping goods.

The enlarged DC will be able to serve 200 drug stores, better handle seasonal peaks, and enable Fay's to raise the share of merchandise it distributes from 75% currently to about 80%, another Fay's executive said recently.

No urgency on scanning

Inventory management might be further improved if Fay's commits to scanning—though Panasci indicated no sense of urgency at presstime. He's tested a system in Westvale, N.Y., an average-volume store, since last August, but still has "many more questions. The cost of equipment is coming down very quickly. When we can see ample payback, we'll go full blast with a system we feel answers our needs," Panasci said.

Not surprisingly, pharmacy continues to set a near 30% annual sales growth pace—given the extensive advertising efforts to promote its Accu-Fay's pharmacy computer system. A mature Fay's store fills 1,200 prescriptions a week, about 30% greater than the industry average.

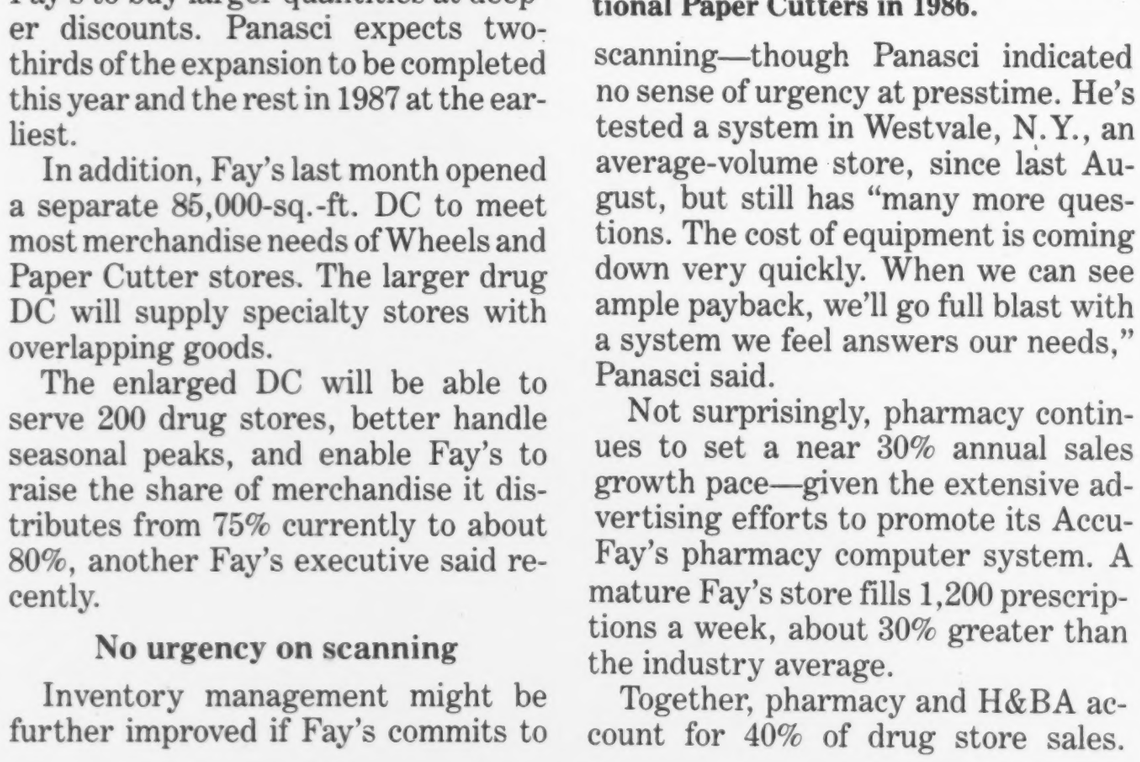
Together, pharmacy and H&BA account for 40% of drug store sales. High-margin H&BA will be expanded this year at the expense of consumer electronics, personal care and traffic appliances, Panasci said recently.

Fay's may also raise gondolas to 60 in. from 54 in. in some of its smaller stores. Chainwide, Panasci will attempt to keep a leaner inventory posture, he said.

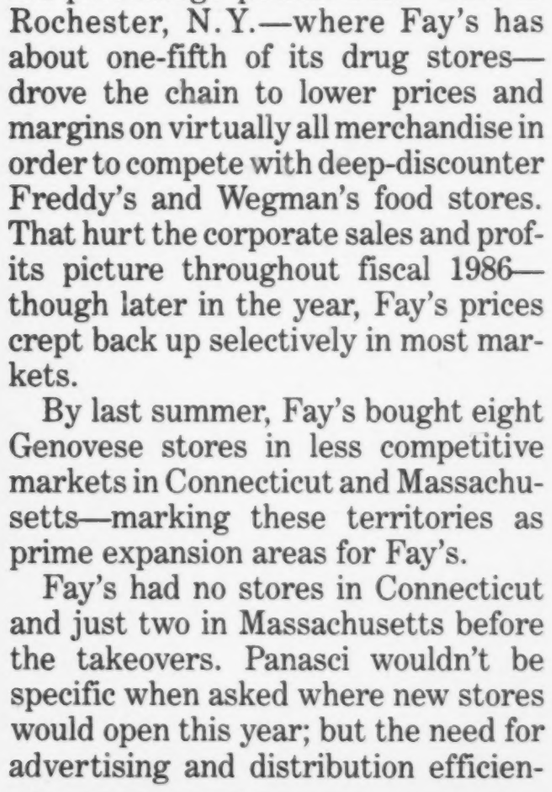
Calling Fay's three-pronged growth plan—drug stores, Wheels and Paper Cutter—"a full plate already," Panasci said "deep discounting is on the shelf. We aren't interested now in re-entering that business, or any other specialty ventures."

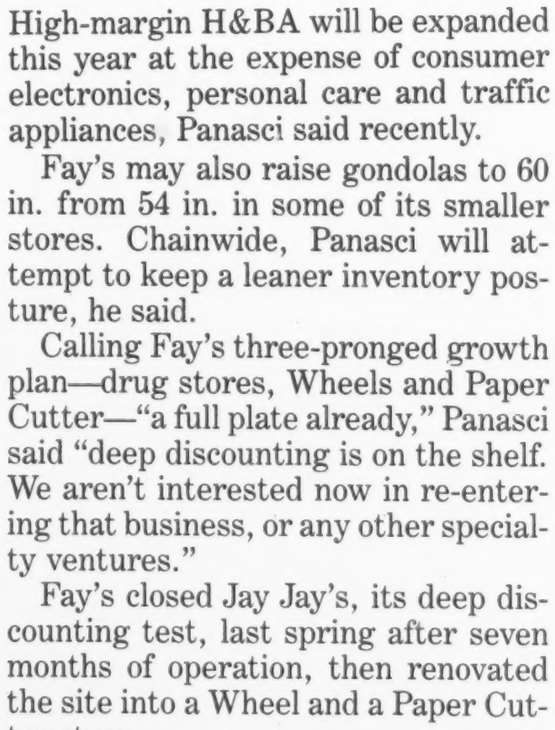
Fay's closed Jay Jay's, its deep discounting test, last spring after seven months of operation, then renovated the site into a Wheel and a Paper Cutter store.

Fay's added three Wheels auto parts stores and six Paper Cutter stationery/office stores (like the one shown) in 1985, and plans at least seven more Wheels and two additional Paper Cutters in 1986.



Fay's brought prices up in most markets later in 1985, after chainwide gross margins fell about 2½ percentage points through the first nine months.





THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

The Pay 'n Save prototype features promo tables called Z tables (named after William Zimmerman), which feature hot-priced—but good margin—merchandise.

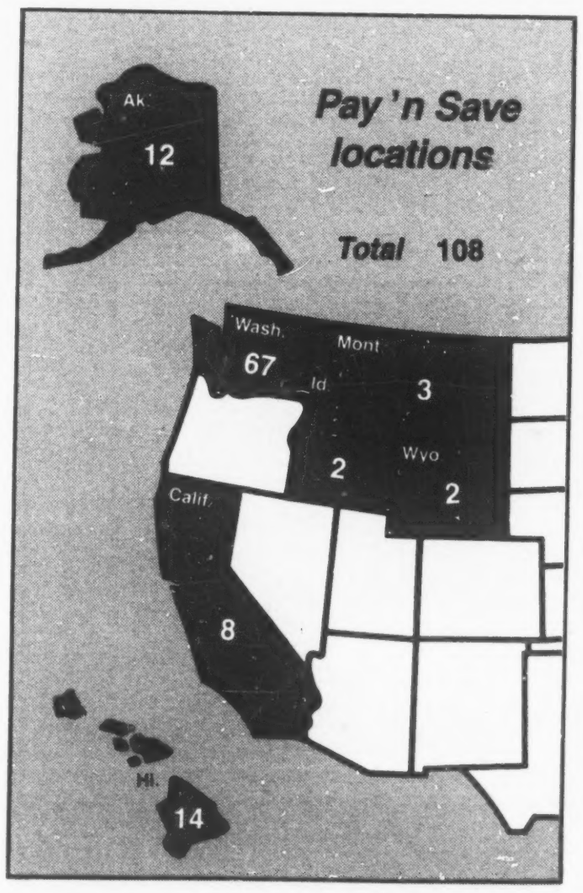
New prototype is at heart of Pay 'n Save changes

Format sports a 'stadium' look

SEATTLE — The Pay 'n Save corporate umbrella has been shrinking amid a rain of change. Today, only the 108-store Pay 'n Save drug store division carries the Pay 'n Save logo—but even this division has not escaped change. Late in 1985, William Zimmerman, former guiding force at 95-store Pic 'n Save, bought a 50% partnership in Pay 'n Save drug stores.

Two other corporations have been spun off by the Trump Group, which bought Pay 'n Save in a leveraged buyout in 1984.

One is Northern Pacific Corp., which controls Bi-Mart discount drug stores, Schuck's Auto Supply and Lamonts Apparel. The most recent—Seattle Standard Corp.—encompasses Ernst Home Centers, Yard Birds and Northwestern Drug, the wholesaler.



Name changes aside, the major shift is taking place at Pay 'n Save Drug stores, where a new prototype has emerged.

The prototype features a race track layout and a "stadium" look (layered gondolas that radiate from the center of the store for total visibility); anywhere from 10 to 50 6x3-ft. promo tables, called Z tables (named after Zimmerman, who used them at Pic 'n Save with telling effect); introduction of apparel (two 28-ft. facing fixtures plus garment-rack ends); direct buying of imports rather than from importers; photo department in a bullpen rather than on a straight line; and more flexible pegged cosmetic wall sections.

The sizzle for the new layout is the promotional tables, which feature hot-priced—but good margin—merchandise. Not only is the promo presentation geared for excitement, but it also is expected to funnel traffic into drug store departments. The payoff, of course, is that promo margins of 50%-65% will offset lower margins in H&BA and drug-related items, thereby boosting overall store profits.

The key elements of the prototype will be incorporated into the new Pay 'n Save stores, starting in 1987.

To reclaim some of the space lost to the promo tables, perimeter gondolas have been raised to 96 in., unneeded sizes have been cut, and duplication has been eliminated. In addition, air space between the shelves has been squeezed, and as much merchandise is not stocked on five gondola sides as was formerly stocked on seven. Also, cornices on the wall have been extended to accommodate bulk storage goods.

Even the color scheme has been changed: from rust brown and burnt orange to tinted blues, greens and grays.

In tandem with remerchandising of the drug stores is the conversion of Pay 'n Save's distribution center (350,000 sq. ft., including mezzanine) into a centralized state-of-the-art facility. The retrofitted center will be ready in May and will be tested for a month before going full speed.

Before the conversion, Pay 'n Save's warehouse was a break-and-go operation. Outside of storing imports and ad specials, the manual operation consisted of receiving goods in a large unit and then breaking into individual-store shipments.

The newly designed center is expected to benefit Pay 'n Save's distribution and buying operations. It will give the division more buying leverage and enable it to take advantage of more end-to-end deals as well as two-for-one deals.

Heading the distribution center task force is Al Culver, president, and Bud Semco, who teamed up to build Pay Less' DC in Wilsonville, Ore. Wilsonville is rated as a model of its kind and vital profit contributor to the chain, now owned by K mart.

Leased warehouse

Until the Pay 'n Save facility in Auburn is completed, the chain has leased a 100,000-sq.-ft. freestanding warehouse in Kent, four miles away, to maintain the momentum of its promo program.

There has also been a significant change in corporate goals. Almost from the day the Trumps took over, there have been rumors that Pay 'n Save would sell each of its divisions piecemeal. The Trump Group did little to discourage that kind of talk. In fact, last year a Trump official said that "consistent with our strategic plan, it is true that we are considering the possible sale of one or more of the corporation's companies."

However, it is now believed that with the restructuring, Trump will stay the course. A tipoff is that Trump recently took the "for-sale" sign off Northwestern Drug, after FoxMeyer came close to acquiring the drug wholesaler last December.

Even though Pay 'n Save is one of seven divisions, the Trump Group is banking heavily on its drug stores to lead the corporation to the land where the profit-poppies grow.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PROFILES

SDM targets growth in Canadian drug market

TORONTO — Shoppers Drug Mart may hold a commanding 28% share of the Canadian drug store market, but its chief exec is still not satisfied.

David Bloom, president of the 431-store drug chain, wants to boost that slice of the pie to 32%-35%. Indeed, he thinks it may be possible to go even higher.

What Bloom has in mind is eventually adding another 200, or perhaps even 300, Shoppers Drug Mart stores to the 385 already in operation. Beyond that, he is looking to expand the other weapons in his retail armamentarium as he continues SDM's all-out assault on the Canadian market.

"Our objective is to increase our productivity in every way possible."

David Bloom
president
Shoppers Drug Mart

"Our objective is to increase our productivity in every way possible," he said.

Among the other retail operations on which Bloom is pinning his hopes are: "Howie's—more than a drug store," Shoppers' deep discount stores in English-speaking areas; Pharmaprix, the conventional stores in French-speaking communities; Pharmaprix Carnaval, the French-speaking version of Howie's; Shoppers Drug Mart Food Baskets, conventional drug stores with expanded convenience food departments; and Shoppers Drug Mart/Home Health Care centers.

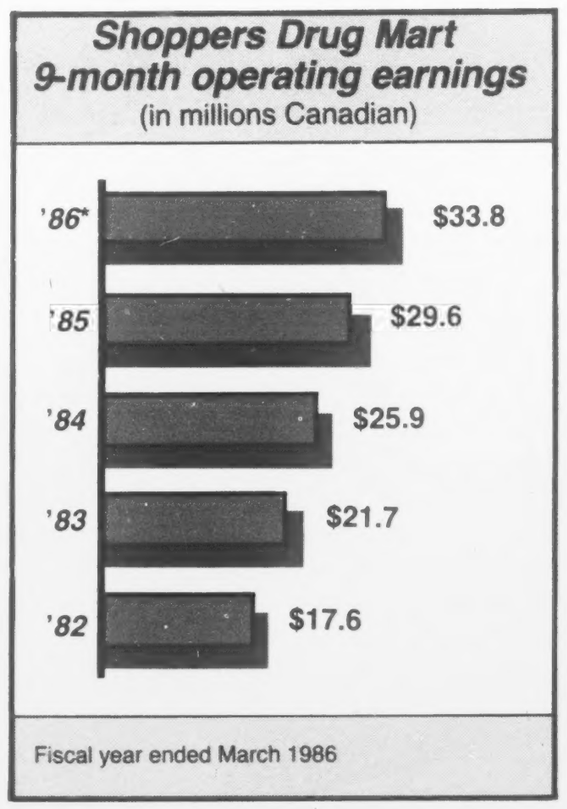
In its 25th anniversary year, SDM is looking at acquisitions as well as new store launches in its efforts to grow.

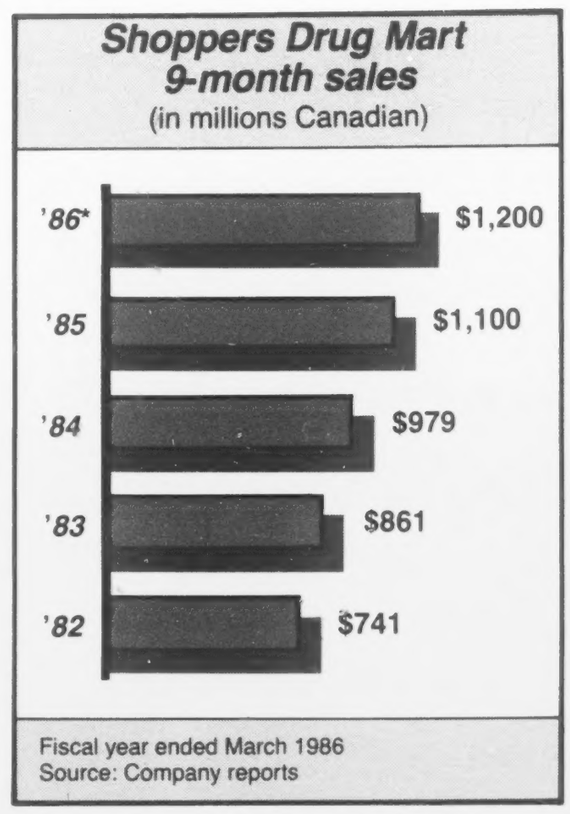
In the nine months ended Dec. 31, SDM added a total of 19 new stores, including three Howie's. At year-end, there were 38 Pharmaprix, three Pharmaprix Carnaval and five Howie's, in addition to 385 SDM's.

Shoppers is expected to generate about $1.8 billion (Canadian) for the fiscal year ended March 31, 12% higher than the previous year.

Systemwide sales for the nine months already announced were $1.2 billion, an increase of 15% over the comparable year-earlier period. Revenue for the period, which includes franchise fees and other income but not total sales, were up 14% to $58.1 million. Operating earnings for the nine months rose 14% to $33.8 million.

The company said the performance was the result of a "combination of strong comparable store sales increases, the effects of productivity improvement programs and innovative marketing and advertising campaigns." SDM said it expected the strong earnings growth to continue in the fourth quarter and to exceed its goal for the year.





With its five Howie's and three Pharmaprix Carnavals, SDM is fast becoming a leader in the North American deep discount arena. Bloom says the company is "very pleased" with the performance of the deep discount stores, and adds that there may be room in Canada for a total of 25 Howie's and an unspecified number of Pharmaprix Carnavals.

He points out that Howie's has higher sales per square foot than any other deep discounter, including those in the United States.

To assure continuing growth, SDM has created a new post of retail development. Irving Bain, former executive vp-marketing, has been named to head the operation. Bain's responsibility will be to explore "new revenue and business opportunities for Shoppers," says Bloom.

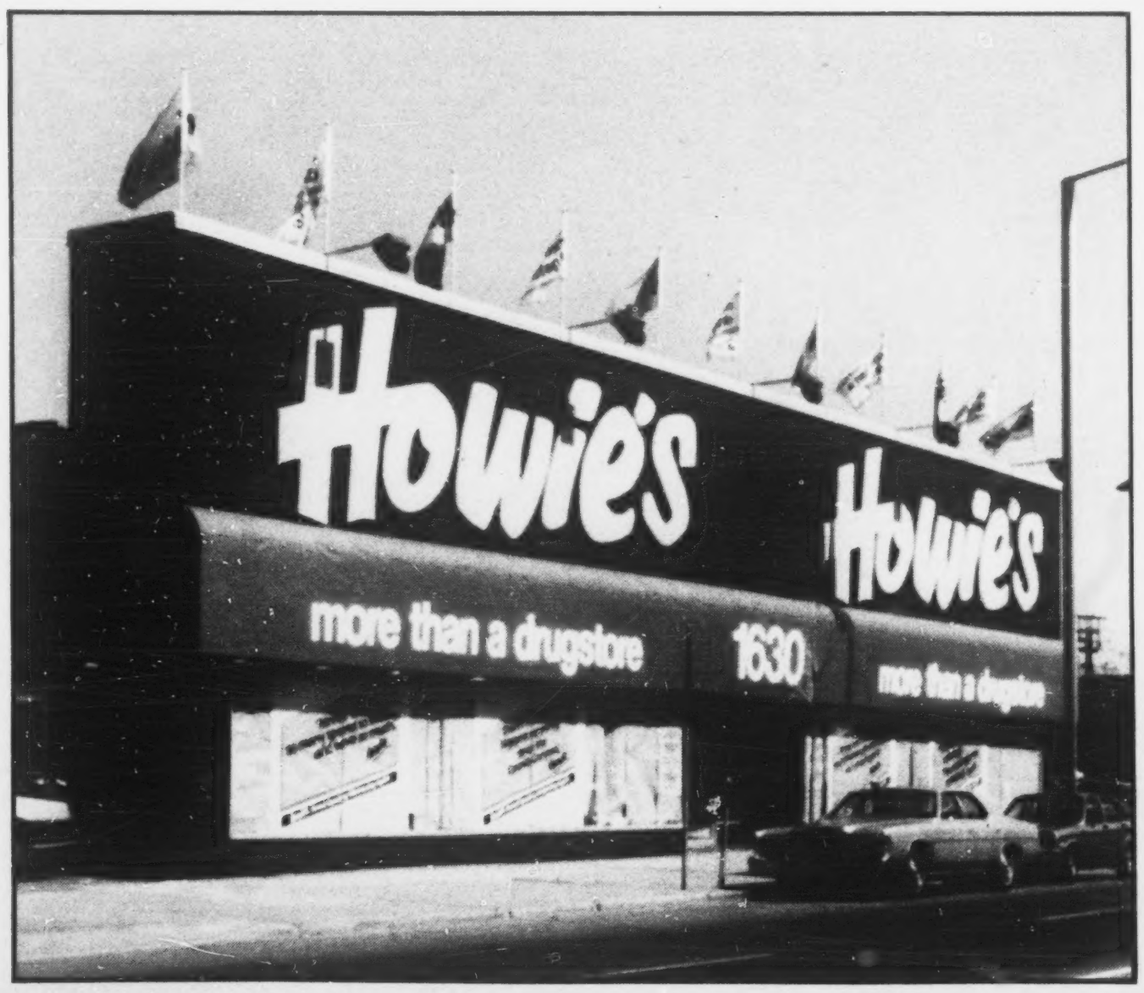
In another executive change, Stan Thomas was appointed senior executive vp-marketing.

Other growth opportunities for Shoppers include SDM's with convenience food stores. These Shoppers Drug Mart/Food Basket units are 8,000-9,000 sq. ft., compared to SDM's 7,500-sq.-ft. prototype. The food department typically adds about $500,000 a year to a store's revenues.

SDM plans to open at least 50 SDM/Food Baskets in the next two years. The company also intends to open 20 home health units during the same period as part of its "aggressive expansion plan" for the home health market.

In another move to boost the company's productivity, Shoppers last year turned over 31 Florida drug stores to its sister drug chain, Peoples Drug Stores. The Florida stores were never able to achieve the success of those in Canada, and it was felt that Peoples, with its experience in the American market and on the Atlantic Seaboard in particular, would be able to do what SDM had not. Indeed, Sheldon Fantle, Peoples' chairman, says the chain has a rapid expansion plan in mind for the Florida division.

Shoppers thus closed the books on its U.S. operations, having sold off its Washington state stores to Bartell Drug more than a year ago.



Shoppers Drug Mart believes there may be room in Canada for 25 Howie's deep discount stores.

Shoppers Drug Mart, Canada's leading drug chain with 28% of the country's drug store revenues, celebrated its 25th anniversary in 1985.

INSIDE PHARMACY

Antidepressant tied to nondiet weight loss

By Marjorie Shaffer

INDIANAPOLIS — Like the wonder drug Peptide-7, which catapulted the fictional Felding-Roth Pharmaceuticals into the black in Arthur Hailey's bestseller *Strong Medicine*, Eli Lilly's Prozac is having a phenomenal impact on the company's stock.

On one day of heavy trading last month, Lilly's stock soared $7.75 to $67 on the New York Stock Exchange—an increase in the firm's market value of $1.1 billion. The stock closed at $70.13 April 3.

What sent Lilly's stock through the roof was the prominent treatment the company gave Prozac (fluoxetine), an as yet unapproved antidepressant treatment, in its annual report. It seems the drug not only is an effective antidepressant but has the surprising effect of making people shed pounds without dieting.

And Lilly, awaiting FDA approval of the drug as an antidepressant, mentioned in the report that in clinical trials of 900 obese people taking Prozac, weight was lost without dieting.

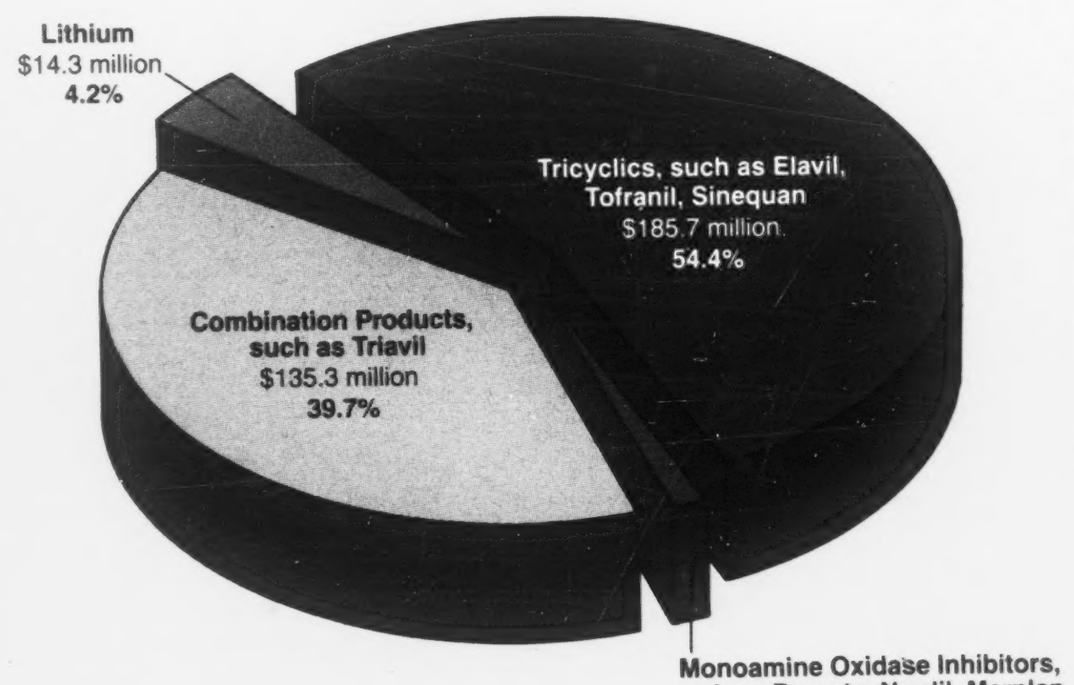
That information was communicated by Goldman Sachs analyst Frederic Greenberg and picked up by the Dow Jones News Service. And on that report, Lilly's stock soared.

Often in the drug business, a drug's effects are a matter of serendipity. Like the fictional Peptide-7, developed to prevent the onset of Alzheimer's disease, but which also made people lose weight and was an aphrodisiac to boot, Prozac was developed as an antidepressant. However, through re-

See **Weight,** *page 190*

Antidepressants top $340 million in pharmacy sales

Major categories



Source: PDS, a subsidiary of McKesson
Data reflects pharmacy sales for 1985.

OTC tamperings spur bills to restrict cap sales

WASHINGTON — The recent episodes of over-the-counter drug tamperings have triggered a flurry of state legislative proposals to restrict, if not outlaw, OTC capsule sales altogether.

While most of the new bills are designed to limit access to nonprescription capsules, Senate and Assembly bills introduced in New York (S.B. 7779, A.B. 9514) call for an outright ban on OTC medications in capsule form. Under the identical bills, now being reviewed by state health committees, "No substance contained in capsules and intended for human ingestion" can be sold except drugs for which a prescription is required. The proposed laws also provide for exceptions in the case of emergency situations or procedures.

Legislation is also being suggested at the county level in New York. Erie County's executive has asked the Health Department and Board of Health to review the possibility of a countywide ban on the sale of OTC capsule medications. Moreover, New York City's Long Island suburban

See **Tamperings,** *page 190*

PPO pact triggers suits

HealthAmerica sues Gray Drug

CLEVELAND — HealthAmerica Corp. of Ohio, an HMO, filed a $3.5 million lawsuit against Gray Drug Inc., alleging it misled the public and violated HealthAmerica's trademark and logo.

The suit, filed in U.S. District Court in Cleveland, was in response to a similar lawsuit filed by Gray last month, accusing HealthAmerica of backing out of a contract that named Gray as one of its preferred provider organizations (PPO).

Both lawsuits arose out of an announcement by HealthAmerica in February that it would enter into an exclusive contract with Revco Drug Stores to provide prescription services to its approximately 90,000 enrollees.

HealthAmerica's suit attacked several actions taken by Gray Drug following the Revco contract announcement.

Gray took out ads alleging that HealthAmerica's actions were "misleading" and saying that the chain would continue to fill prescriptions for HealthAmerica customers. The ads said that all customers needed to do was pay the normal deductible fee assigned to their plan.

To accomplish this, Gray had HealthAmerica customers sign a log that assigned Gray permission to collect monies from HealthAmerica for them.

In its lawsuit, HealthAmerica accused Gray of conducting an "unlawful disinformation campaign" and asked the court to make Gray stop using the HealthAmerica trademark on forms it handed out to its customers.

Gray officials were reviewing the lawsuit at presstime and could not comment on its contents.

In the suit filed against HealthAmerica, Gray asked for compensatory damages of $1.5 million and accused HealthAmerica of "intentionally shielding negotiations over new contracts from the public's scrutiny by not ac-

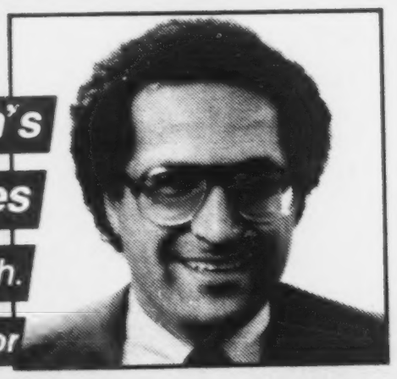
See **Gray,** *page 190*

Rx'ers finally realizing PPO's are open to all

Cohen's Capsules

Harold Cohen, R.Ph.

Pharmaceutical Editor



Filling third party prescriptions is a lot like taking medicine . . . you know it's probably good for you, but it is kind of hard to swallow.

Unfortunately, I remember "The Milton Berle Show," soda in glass bottles that needed a bottle opener, 8-cylinder cars, and pharmacy when it was a cash-only business.

As the first Medicaid prescriptions began to roll in, I can recall the negative vibes they created between the pharmacist and the patient. We resented taking the extra time (for what seemed an eternity) to handwrite a Medicaid reimbursement form and waiting sometimes as long as three months for our money. A resentment that is still felt today, after almost 30 years, in many drug stores.

Pharmacists around the country rallied to the cause by holding local association meetings. Many of those meetings were held after working hours; for many of us, that meant 10 p.m., when a day's worth of filling out Medicaid forms and seeing no money in the cash register was still very fresh in our minds.

For many, this kind of nostalgia conjures up bitter memories. Many mom-and-pop operations had to shut their doors.

Here it is 1986, and the very thing we feared for so many years has become a way of life in pharmacy. After all those years, nobody has been able to put the brakes on encroaching third-party prescriptions, and that fact has changed the way pharmacy is practiced today. To you old-timers, don't feel too bad—it was beyond you, me, or anyone. But somewhere along the way, pharmacists, especially among the chains, began to accept third-party prescriptions for what they are, a way to increase traffic flow into the drug store.

Medicaid has spawned a host of imitators in the private sector. Big corporations that offer employees prescriptions plans are looking for the best deal. HMO's that do not have in-house pharmacies are looking for outlets to send their patients to, to get prescriptions filled (commonly referred to as preferred provider organizations, or PPO's).

Chain drug stores have actively pursued the business after realizing that third-party will only continue to grow.

It does my heart good to see that community pharmacists are also getting into the act, instead of sitting back until it's too late.

With all the changes taking place in the way pharmacy is practiced, I feel good once again about the profession. I think pharmacy is on the right track, the one leading back to profits and professionalism.

Gray

Continued from page 173

cepting bids or proposals from competitive businesses.

HealthAmerica maintains it was under no obligation to discuss the contract with anyone else because it had struck a deal with Revco.

Gray Drug claimed in its suit that the Revco-HealthAmerica arrangement did not have the approval of the Ohio superintendent of insurance.

Weight

Continued from page 173

search, it began to emerge that this drug had a variety of effects, through its selective inhibition on the brain's uptake of serotonin, a brain chemical linked to depression.

According to Lilly, Prozac may be useful in treating a number of conditions, including obesity, alcoholism and pain.

Drug expert Lynne Pauls of E. F. Hutton, New York, said the drug could be approved this year. She noted that the side effects in depressed patients range from nausea in about 25% to nervousness and anxiety in about 15%-25%. She had not yet seen any reports on side effects from clinical trials with the drug in obese patients.

"The big question is whether the side-effect profile is clean enough for the drug to be used in healthy people who have to lose weight," said Pauls.

In the last three years, Lilly pumped over $1 billion into research and development. Last year, R&D accounted for 11% of sales.

Tamperings

Continued from page 173

Suffolk County is considering an ordinance requiring retailers to ensure that OTC capsules are not "readily accessible" to the public.

Illinois, the first state to introduce legislation after the recent Tylenol incident, is considering a House bill (H.B. 2716) that would require retail sales of nonprescription caps to be handled by pharmacists.

Pennsylvania lawmakers are considering legislation to require OTC capsules to be stored "behind the counter."

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DRUG STORE NEWS

1986 Annual Reference for Pharmacy Practice

DRUG STORE NEWS

1986 ANNUAL REFERENCE FOR PHARMACY PRACTICE

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Top 200 Products Ranked

Number of Rxs	$ Volume	$ Margin*
1 Dyazide caps	Tagamet tabs 300mg	Dalmane caps 30mg
2 Tylenol w/codeine #3 tabs	Dyazide caps	Micro-K caps 8mEq
3 Tagamet tabs 300mg	Zantac tabs 150mg	Inderal tabs 40mg
4 Darvocet-N tabs 100mg	Feldene caps 20mg	Amoxil caps 250mg
5 Valium tabs 5mg	Tenormin tabs 50mg	Motrin tabs 400mg
6 Lanoxin tabs 0.125mg	Procardia caps 10mg	Naprosyn tabs 500mg
7 Lanoxin tabs 0.25mg	Darvocet-N 100mg	Eryc caps 250mg
8 Slow K tabs 600mg	Valium tabs 5mg	Inderal tabs 20mg
9 Tenormin tabs 50mg	Keflex caps 500mg	Bactrim-DS 28 pack
10 Lasix tabs 40mg	Naprosyn tabs 375mg	Theo-Dur tabs 200mg
11 Zantac tabs 150mg	Keflex caps 250mg	Amoxil susp 125mg 100ml
12 Dilantin caps 100mg	Clinoril tabs 200mg	Proventil inhaler 17gm
13 Feldene caps 20mg	Aldomet tabs 250mg	Tylenol w/codeine #4 tabs
14 Procardia caps 10mg	Naprosyn tabs 500mg	Ceclor caps 250mg
15 E.E.S. 400 filmtabs	Tylenol w/codeine #3 tabs	Reglan tabs 10mg
16 Aldomet tabs 250mg	Inderal tabs 40mg	Moduretic tabs 5/50mg
17 Keflex caps 250mg	Lopressor tabs 50mg	Capoten tabs 25mg
18 Motrin tabs 600mg	Ativan tabs 1mg	Halcion tabs 0.25mg
19 Lopressor tabs 50mg	Slow K tabs 600mg	Clinoril tabs 200mg
20 Seldane tabs 60mg	Seldane tabs 60mg	Valium tabs 10mg
21 Amoxil susp 250mg 100ml	Cardizem tabs 60mg	Ventolin inhaler refill
22 Inderal tabs 40mg	Xanax tabs 0.5mg	Xanax tabs 0.25mg
23 Premarin tabs 0.625mg	Motrin tabs 600mg	Percodan tabs
24 Ativan tabs 1mg	Timoptic 0.5% opht 10ml	Timoptic 0.5% opht 10ml
25 Motrin tabs 400mg	Dilantin caps 100mg	Fiorinal caps w/codeine #3
26 Naprosyn tabs 375mg	Capoten tabs 25mg	Tranxene caps 7.5mg
27 Inderal tabs 20mg	Diabinese tabs 250mg	Rufen tabs 600mg
28 Xanax tabs 0.5mg	Inderal tabs 20mg	UD Maxzide tabs
29 Vicodin tabs	Lasix tabs 40mg	Premarin tabs 1.25mg
30 Theo-Dur tabs 300mg	Tagamet tabs 400mg	Inderal tabs 10mg
31 Monistat-7 vag w/app 45gm	Flexeril tabs 10mg	UD Restoril caps 30mg
32 Amoxil caps 250mg	Lopressor tabs 100mg	Provera tabs 10mg
33 Inderal tabs 10mg	Ceclor caps 250mg	Diabinese tabs 250mg
34 Keflex caps 500mg	Transderm-Nitro 5mg 7dsk	Synthroid tabs 0.1mg
35 Micro-K caps 8mEq	Valium tabs 10mg	Halcion tabs 0.5mg
36 Flexeril tabs 10mg	Naprosyn tabs 250mg	Septra-DS 20 pack
37 Amoxil susp 125mg 100ml	Cardizem tabs 30mg	E-Mycin E.C. tabs 333mg
38 Dalmane caps 30mg	Theo-Dur tabs 300mg	Hydrochlorothiazide tabs 50mg
39 Proventil inhaler 17gm	Reglan tabs 10mg	Lasix tabs 20mg
40 Premarin tabs 1.25mg	Corgard tabs 40mg 28pk	Minipress caps 1mg
41 Ortho-Novum 1/35 28 ref	Tegretol tabs 200mg	Naprosyn tabs 250mg
42 Moduretic tabs 5/50mg	Monistat-7 vag w/app 45gm	Dolobid tabs 500mg
43 Hydrochlorothiazide tabs 50mg	Motrin tabs 400mg	Catapres tabs 0.1mg
44 Theo-Dur tabs 200mg	Premarin tabs 0.625mg	K-tabs 750mg
45 Synthroid tabs 0.1mg	Tolectin DS caps 400mg	Parafon Forte tabs
46 Timoptic 0.5% opht 10ml	E.E.S. 400 filmtabs	Duricef caps 500mg
47 Lo/Ovral 21 pk	Dolobid tabs 500mg	Cardizem tabs 60mg
48 Diabinese tabs 250mg	Moduretic tabs 5/50mg	Rufen tabs 400mg
49 Eryc caps 250mg	Tranxene caps 7.5mg	Anaprox tabs 275mg
50 Ventolin inhaler refill	Premarin tabs 1.25mg	Amoxil caps 500mg

*Based on AWP cost

Top 200 Products Ranked

Number of Rxs	$ Volume	$ Margin*
51 Insulin NPH U100 10mlcp310	Inderal tabs 10mg	Transderm-Nitro 5mg 7 dsk
52 Bactrim-DS 28 pack	Aldomet tabs 500mg	Tegretol tabs 200mg
53 Clinoril tabs 200mg	Carafate tabs 1gm	Cardizem tabs 30mg
54 Capoten tabs 25mg	Indocin SR caps 75mg	Tagamet tabs 400mg
55 Lasix tabs 20mg	Aldoril-25 tabs	Corgard tabs 40mg 28 pk
56 Naprosyn tabs 500mg	Proventil inh 17gm	Entex-LA caps
57 Halcion tabs 0.25mg	Nalfon tabs 600mg	Nicorette gum 2mg
58 UD Maxzide tabs	Trental tabs 400mg	Percocet-5 tabs
59 Reglan tabs 10mg	Ortho-Novum 1/35 28 ref	Nalfon tabs 600mg
60 Xanax tabs 0.25mg	Duricef caps 500mg	Lopressor tabs 100mg
61 Rufen tabs 600mg	Vicodin tabs	Desyrel tabs 50mg
62 Entex-LA caps	Insulin NPH U100 10mlcp310	Synalgos-DC caps
63 Nitrostat tabs 0.4mg	Anaprox tabs 275mg	Aldoril-25 tabs
64 Valium tabs 10mg	Persantine tabs 50mg	Acetaminophen w/codeine tabs 30mg
65 K-tabs 750mg	Nolvadex tabs 10mg	Motrin tabs 800mg
66 Tylenol w/codeine #4 tabs	Theo-Dur tabs 200mg	Tylox caps
67 Tranxene caps 7.5mg	Bactrim-DS 28 pack	Trental tabs 400mg
68 E-Mycin E.C. tabs 333mg	Ventolin inhaler refill	Trinalin tabs
69 Septra-DS 20 pack	Lo/Ovral 21 pk	Tavist-D tabs
70 Minipress caps 1mg	Amoxil susp 250mg 100ml	Fiorinal tabs
71 Ceclor caps 250mg	Xanax tabs 0.25mg	Talwin NX tabs
72 Provera tabs 10mg	Minipress caps 1mg	Tolectin DS caps 400mg
73 Corgard tabs 40mg 28 pk	Dalmane caps 30mg	Lomotil tabs 2.5mg
74 Ortho-Novum 7/7/7-28 ref	Lanoxin tabs 0.125mg	Indocin caps 25mg
75 Rufen tabs 400mg	Nicorette gum 2mg	Indocin SR 75mg
76 Cardizem tabs 30mg	Catapres tabs 0.1mg	Tranxene caps 3.75mg
77 UD Restoril caps 30mg	Lanoxin tabs 0.25mg	Achromycin V caps 250mg
78 Lopressor tabs 100mg	Clinoril tabs 150mg	Empirin w/codeine #3 tabs
79 Percodan tabs	Micro-K caps 8mEq	Dalmane caps 15mg
80 Fiorinal w/codeine #3	Xanax tabs 1mg	Lotrimin cream 1% 90gm
81 Catapres tabs 0.1mg	Micronase tabs 5mg	Valium tabs 2mg
82 Acetaminophen w/codeine 30mg	Quinaglute duratabs	UD Restoril caps 15mg
83 Amoxil caps 500mg	Minipress caps 2mg	Macrodantin caps 50mg
84 Anaprox tabs 275mg	Indocin caps 25mg	Carafate tabs 1gm
85 Achromycin V caps 250mg	Tenormin tabs 100mg	Nitrostat tabs 0.4mg
86 Lo/Ovral-28	UD Maxzide tabs	Persantine tabs 50mg
87 Halcion tabs 0.5mg	Persantine tabs 75mg	Medrol 4mg 21 dosepk
88 Aldoril-25 tabs	Halcion tabs 0.25mg	Inderal LA caps 80mg
89 Ortho-Novum 1/50 21 ref 48	Septra-DS 20 pack	Librax caps
90 Ortho-Novum 1/50 28 ref	Catapres tabs 0.2mg	Klotrix tabs 10mEq
91 Naprosyn tabs 250mg	Transderm-Nitro 10mg 30dsk	Xanax tabs 1mg
92 Ortho-Novum 1/35 21 ref	Desyrel tabs 50mg	Micronase tabs 5mg
93 Cardizem tabs 60mg	Ativan tabs 2mg	Minipress caps 2mg
94 Tegretol tabs 200mg	Eryc caps 250mg	Furosemide tabs 40mg
95 Dolobid tabs 500mg	Rufen tabs 600mg	Omnipen caps 500mg
96 Nicorette gum 2mg	Nitro-Dur patch 10cm	Coumadin tabs 5mg
97 Tagamet tabs 400mg	Parafon Forte tabs	Phenergan w/codeine syrup
98 Transderm-Nitro 5mg 7 dsk	Amoxil caps 250mg	Omnipen caps 250mg
99 Tavist-D tabs	Zyloprim tabs 300mg	Soma tabs 350
100 Trinalin tabs	Fiorinal w/codeine #3	Catapres tabs 0.2mg

*Based on AWP cost

Top 200 Products Ranked

Number of Rxs	$ Volume	$ Margin*
101 Insulin Lo-dose syr U100	Inderal LA caps 80mg	Naldecon pediatric syrup
102 Nalfon tabs 600mg	Calan tabs 80mg	Insulin NPH U100 10mlcp310
103 Valium tabs 2mg	Provera tabs 10mg	Aldomet tabs 500mg
104 Indocin caps 25mg	Inderal tabs 80mg	Synthroid tabs 0.15mg
105 Tolectin DS caps 400mg	Percodan tabs	Ornade Span modified
106 Ovral-21 3-pak	Capoten tabs 50mg	Zyloprim tabs 300mg
107 Lotrimin cream 1% 90gm	Tylenol w/codeine #4 tabs	Ativan tabs 2mg
108 Persantine tabs 50mg	Halcion tabs 0.5mg	Alupent syrup
109 Desyrel tabs 50mg	K-tabs 750mg	Lotrisone cream 15gm
110 Synthroid tabs 0.15mg	Ortho-Novum 7/7/7-28 ref	Erythrocin tabs 250mg
111 Motrin 800mg tab	Librax caps	Tussi-organidin liquid
112 Lomotil tabs 2.5mg	Ceclor susp 250mg/5ml 75ml	Septra susp
113 Fiorinal tabs	Amoxil caps 500mg	Donnatal tabs
114 Empirin w/codeine #3 tabs	Lo/Ovral-28	Naldecon tabs
115 Parafon Forte tabs	Motrin tabs 800mg	Hydrodiuril tabs 50mg
116 Duricef caps 500mg	UD restoril caps 30mg	Imodium caps 2mg
117 Synalgos-DC caps	Ortho-Novum 1/50 21 ref 48	E-Mycin tabs 250mg
118 Tranxene caps 3.75mg	Quinidex extentabs	Persantine tabs 25mg
119 Percocet-5 tabs	Accutane caps 40mg	Darvon Cpd-65 caps
120 Coumadin tabs 5mg	Triavil 2-25 tabs	Clinoril tabs 150mg
121 Omnipen caps 500mg	Insulin Lo-dose syr U100	Trimeth/Sulfa DS tabs
122 Hydrodiuril tabs 50mg	Tranxene caps 3.75mg	Alupent inhaler ref 15ml
123 Omnipen caps 250mg	Ortho-Novum 1/35 21 ref	Calan tabs 80mg
124 Zyloprim tabs 300mg	Trinalin tabs	Dipyridamole tabs 50mg
125 Dalmane caps 15mg	Lopid caps 300mg	K-Lyte orange 25mEq
126 E-Mycin tabs 250mg	Tavist-D tabs	Ativan tabs 0.5mg
127 Trental tabs 400mg	Persantine tabs 25mg	Antivert tabs 25mg
128 Indocin SR 75mg	E-Mycin E.C. tabs 333mg	Insulin Lo-dose syr U100
129 Klotrix tabs 10mEq	Zovirax caps 200mg	Norgesic Forte tabs
130 Furosemide tabs 40mg	Ortho-Novum 1/50 28 ref	Diabeta tabs 5mg
131 UD Restoril caps 15mg	UD Procan SR tabs 500mg	Triavil 2-25 tabs
132 Inderal LA caps 80mg	Tolinase tabs 250mg	Zovirax caps 200mg
133 Librax caps	Synthroid tabs 0.1mg	E.E.S. liq 200
134 Aldomet tabs 500mg	Rufen tabs 400mg	Synthroid tabs 0.2mg
135 Donnatal tabs	Timoptic 0.25% opht 15ml	Tenuate Dospan 75mg
136 Persantine tabs 25mg	Diabeta tabs 5mg	Quinaglute duratabs
137 Thyroid tabs 1gr	Macrodantin caps 50mg	Timoptic 0.25% opht 15ml
138 Medrol 4mg 21 dosepk	Corgard tabs 80mg 28pk	Anusol-HC supp
139 Wymox susp 250mg 80ml	Meclomen caps 100mg	Meclomen caps 100mg
140 Carafate tabs 1gm	Percocet-5 tabs	Persantine tabs 75mg
141 Macrodantin caps 50mg	Isoptin tabs 80mg	Stuartnatal 1 + 1 tabs
142 Micronase tabs 5mg	Talwin NX tabs	Pen-Vee K tabs 250mg
143 Erythrocin tabs 250mg	Ovral-21 3-pak	Nasalide soln 0.025% 25ml
144 Minipress caps 2mg	Humulin N U100 10ml	Ceclor susp 250mg/5ml 75ml
145 Phenergan w/codeine syrup	Entex-LA caps	Benadryl caps 50mg
146 Alupent syrup	Minipress caps 5mg	Hygroton tabs 50mg
147 Pen-Vee K tabs 250mg	Parlodel tabs 2.5mg	Pediazole susp 150ml
148 Tylox caps	Sinemet 25/250 tabs	Ionamin-30 caps
149 Synthroid tabs 0.2mg	Inderide 40-25 tabs	Deconamine-SR caps
150 Ornade Span modified	Minocin caps 100mg	Fastin pack caps 30mg

*Based on AWP cost

Top 200 Products Ranked

Number of Rxs	$ Volume	$ Margin*
151 Naldecon pediatric syrup	Soma tabs 350	Brethine tabs 2.5mg
152 Insulin Lente U100 cp410	Valium tabs 2mg	Thyroid tabs 1gr
153 Norinyl 1-50 21-ref	Amoxil susp 125mg 100ml	Augmentin 250 tabs
154 Talwin NX tabs	K-Lyte orange 25mEq	Tussi-Organidin DM
155 Catapres tabs 0.2mg	Ornade Span modified	Nolvadex tabs 10mg
156 Wymox caps 250mg	Sinemet 25/100 tabs	Isoptin tabs 80mg
157 Septra susp	Insulin Lente U100 10ml	Quinidex extentabs
158 Pediazole susp 150ml	Coumadin tabs 5mg	Premarin vag crm/appl 45gm
159 Tussi-Organidin liquid	Aldactazide tabs 25/25	Premarin tabs 0.3mg
160 Timoptic 0.25% opht 15ml	Danocrine caps 200mg	Elavil tabs 25mg
161 Lotrisone cream 15gm	Lotrimin cream 1% 90gm	Transderm-Nitro 10mg 30dsk
162 Naldecon tabs	Lasix tabs 20mg	Nitro-Dur patch 10cm
163 Clinoril tabs 150mg	Ser-Ap-Es tabs	Aldactazide tabs 25/25
164 Norinyl 1-35 21	Norgesic Forte tabs	Quinamm tabs
165 Alupent inhaler ref 15ml	Lomotil tabs 2.5mg	Lopid caps 300mg
166 Beepen VK 250mg tabs	Nasalide soln 0.025% 25ml	Sep-Ap-Es tabs
167 Aldactazide tabs 25/25	Vibramycin caps 100mg	Robaxin-750 tabs
168 E.E.S. liq 200	Naldecon tabs	Ceclor susp 125mg/5ml 75ml
169 Antivert tabs 25mg	Vibra-tabs 100mg	Beconase inhaler 16.8gm
170 Stuartnatal 1 + 1 tabs	Hydergine oral tabs 1mg	Librium caps 10mg
171 Calan tabs 80mg	Pediazole susp 150ml	Micro-K 10 extencaps 750mg
172 Prednisone tabs 5mg	Fiorinal tabs	Erythromycin BA Ftab 250mg
173 Ceclor susp 250mg/5ml 75ml	Medrol 4mg 21 dosepk	Cortisporin otic susp 10ml
174 Persantine tabs 75mg	Tylox caps	Fiorinal caps
175 Xanax tabs 1mg	Indocin caps 50mg	Haldol tabs 1mg
176 Ovral-28	Hygroton tabs 50mg	Mycolog cream 5mg
177 Nasalide soln 0.025% 25ml	Synalgos-DC caps	Materna tabs
178 Humulin N 100U 10ml	Klotrix tabs 10mEq	Keflex susp 250mg 200ml
179 Tri-Phasil-28 refill	Imodium caps 2mg	Topicort cream 15gm
180 Premarin tabs 0.3mg	Ceclor caps 500mg	Dipyridamole tabs 25mg
181 Trimeth/Sulfa DS tabs	Dalmane caps 15mg	Ditropan tabs 5mg
182 Ativan tabs 2mg	Antivert tabs 25mg	Phenaphen w/codeine #3
183 Imodium caps 2mg	Lotrisone cream 15gm	Valisone cream 0.1% 45gm
184 K-Lyte orange 25mEq	Alupent inhaler ref 15ml	Phenergan VC w/codeine syrup
185 Dipyridamole tabs 50mg	Augmentin tabs 250mg	Vibra-tabs 100mg
186 Benadryl caps 50mg	Tenoretic tabs 50mg	Propine opht soln 5ml
187 Hygroton tabs 50mg	UD Restoril caps 15mg	Wygesic tabs
188 Ser-Ap-Es tabs	Keflex susp 250mg 200ml	Parlodel tabs 2.5mg
189 Nasalcrom refill 13ml	Serax caps 15mg	Beepen VK 250mg tabs
190 Cortisporin otic susp 10ml	Geocillin tabs 382mg	Sinequan 25mg caps
191 Erythromycin BA Ftab 250mg	Limbitrol 10-25 tabs	UD Procan SR tabs 500mg
192 Tenormin tabs 100mg	Sinemet 10/100 tabs	Dipyridamole tabs 75mg
193 Diabeta tabs 5mg	Norpace caps 150mg	Kwell shampoo 60ml
194 Darvon cpd-65 caps	Ativan tabs 0.5mg	Tenormin tabs 100mg
195 Ceclor susp 125mg/5ml 75ml	Norinyl 1-50 21-ref	Bactrim Pediatric susp
196 Ortho-Novum 7/7/7-21 ref	Macrodantin caps 100mg	Inderide 40-25 tabs
197 Deconamine-SR caps	Symmetrel caps 100mg	Cortisporin Otic soln 10ml
198 Ativan tabs 0.5mg	Sandimmune 100mg/ml 50ml	Midrin caps
199 Tussi-Organidin DM	Desyrel tabs 100mg	Glucotrol tabs 5mg
200 Triavil 2-25 tabs	Norinyl 1-35 21	Nasalcrom ref 13ml

*Based on AWP cost

Top 200 Ranked by Manufacturer

	Number Of Rxs	$ Volume	$ Margin
A. H. ROBINS			
Donnatal tabs	135	—	113
Micro-K 10 extencaps 750mg	—	—	171
Micro-K caps 8mEq	35	79	2
Phenaphen w/codeine #3	—	—	182
Quinidex extentabs	—	118	157
Reglan tabs 10mg	59	39	15
Robaxin-750 tabs	—	—	167
ABBOTT			
E.E.S 400 Filmtabs	15	46	—
E.E.S. Liquid 200	168	—	133
Erythrocin tabs 250mg	143	—	110
K tabs 750mg	65	109	44
Pediazole susp 150mg	158	171	147
Tranxene caps 3.75mg	118	122	76
Tranxene caps 7.5mg	67	49	26
ALLERGAN			
Propine Ophth soln 5ml	—	—	186
ARMOUR			
Thyroid tabs 1gr	137	—	152
AYERST			
Inderal LA caps 80mg	132	101	88
Inderal tabs 10mg	33	51	30
Inderal tabs 20mg	27	28	8
Inderal tabs 40mg	22	16	3
Inderal tabs 80mg	—	104	—
Inderide 40-25	—	149	196
Premarin tabs 0.3mg	180	—	159
Premarin tabs 0.625mg	23	44	—
Premarin tabs 1.25mg	40	50	29
Premarin vag cream	—	—	158
BECTON DICKINSON			
Insulin Lo-Dose syringes U100	101	121	128
BOEHRINGER INGELHEIM			
Alupent inhaler	—	—	122
Alupent inhaler refill	165	184	—
Alupent syrup	146	—	208
Catapres tabs 0.1mg	81	76	43
Catapres tabs 0.2mg	155	90	100
Persantine tabs 25mg	136	127	118
Persantine tabs 50mg	108	64	86
Persantine tabs 75mg	174	87	140
BURROUGHS WELLCOME			
Cortisporin Otic susp	190	—	173
Cortisporin Otic soln	—	—	197
Empirin w/cod #3	114	—	78
Lanoxin tabs 0.125mg	6	74	—
Lanoxin tabs 0.25mg	7	77	—
Septra DS 20 pack	69	89	36
Septra DS susp	157	—	112
Zovirax caps 200mg	—	129	132
Zyloprim tabs 300mg	124	99	106
BEECHAM LABS			
Amoxil susp 125mg/5ml 100ml	37	153	11
Amoxil susp 250mg/5ml 100ml	21	70	—
Amoxil caps 250mg	32	98	4
Amoxil caps 500mg	83	113	50
Augmentin tabs 250mg	—	185	153
Beepen VK 250mg tabs	166	—	189
Fastin pack caps 30mg	—	—	150
BERLEX			
Deconamine SR caps	197	—	149
Quinaglute duratabs	—	82	136
BOOTS PHARMACEUTICALS			
Rufen 400mg tabs	75	134	48
Rufen 600mg tabs	61	95	27
BRISTOL			
Naldecon Ped Syrup	151	—	101
Naldecon tabs	162	168	114
CIBA PHARMACEUTICAL CO.			
Ser-Ap-Es tabs	188	163	166
Slow K tabs	8	19	—
Transderm-Nitro 5mg	98	34	51
Transderm-Nitro 10mg	—	91	161
DISTA PRODUCTS			
Keflex caps 500mg	34	—	—
Keflex caps 250mg	17	11	—
Keflex susp. 250mg/5ml 200ml	—	188	178
Nalfon tabs 600mg	102	57	59
DUPONT			
Symmetrel caps 100mg	—	197	—
ENDO LABS INC.			
Coumadin tabs 5mg	120	158	96
Percocet-5 tabs	119	140	58
Percodan tabs	79	105	23
FISONS			
Nasalcrom refill 13ml	189	—	200
FLINT			
Synthroid tabs 0.1mg	45	133	34
Synthroid tabs 0.15mg	110	—	104
Synthroid tabs 0.2mg	149	—	134
GEIGY			
Brethine tabs 2.5mg	—	—	151
Lopressor tabs 50mg	19	17	—
Lopressor tabs 100mg	78	32	60
Tegretol tabs 200mg	94	41	52
GENERIC			
Acetaminophen w/cod. #3	82	—	64
Dipyridamole tabs 25mg	—	—	180
Dipyridamole tabs 50mg	185	—	124
Dipyridamole tabs 75mg	—	—	192
Erythromycin BA Filmtabs 250mg	191	—	172
Furosemide tabs 40mg	130	—	94
Hydrochlorothiazide tabs 50mg	43	—	38
Prednisone tabs 5mg	172	—	—
Trimeth/Sulfa DS tabs	181	—	121
GLAXO INC.			
Beconase inhaler	—	—	169
Ventolin inhaler	—	—	21
Ventolin inhaler refill	50	68	—
Zantac tabs 150mg	11	3	11
HOECHST-ROUSSELL			
Diabeta tabs 5mg	193	136	130
Lasix tabs 20mg	55	162	39
Lasix tabs 40mg	10	29	—

Top 200 Ranked by Manufacturer

	Number Of Rxs	$ Volume	$ Margin
Topicort cr 15gm	—	—	179
Trental tabs 400mg	127	58	67
IVES LABORATORIES			
Synalgos DC caps	117	177	62
JANSSEN			
Imodium 2mg	183	179	116
KEY PHARMACEUTICALS			
Nitro-Dur patch 10cm	—	96	162
Theo-Dur tabs 200mg	44	66	10
Theo-Dur tabs 300mg	30	38	—
KNOLL			
Isoptin tabs 80mg	—	141	156
Vicodin tabs	29	61	—
LAKESIDE PHARMACEUTICALS			
Tenuate Dospan 75mg	—	—	135
LEDERLE LABS			
Achromycin V caps 250mg	85	—	77
Materna tabs	—	—	177
UD Maxzide tabs	58	86	28
ELI LILLY & CO.			
Ceclor caps 250mg	71	33	14
Ceclor caps 500mg	—	180	—
Ceclor susp 125mg/5ml 75ml	195	—	168
Ceclor susp 250mg/5ml 75ml	173	112	144
Darvocet-N 100mg	4	7	—
Darvon Cmpd-65mg caps	194	—	119
Humulin N 100U 10ml	178	144	—
Insulin NPH U100	51	62	102
Insulin Lente U100	152	157	—
MEAD JOHNSON PHARM.			
Desyrel tabs 50mg	109	92	61
Desyrel tabs 100mg	—	199	—
Duricef caps 500mg	116	60	46
K-Lyte Orange 25mEq	184	154	125
Klotrix tabs 10mEq	129	178	90
MERCK SHARPE & DOHME			
Aldomet tabs 250mg	16	13	—
Aldomet tabs 500mg	134	52	103
Aldoril tabs 25mg	88	55	63
Clinoril tabs 150mg	163	78	120
Clinoril tabs 200mg	53	12	19
Dolobid tabs 500mg	95	47	42
Elavil tabs 25mg	—	—	160
Flexeril tabs 10mg	36	31	—
Hydrodiuril 50mg tabs	122	—	115
Indocin caps 25mg	104	84	74
Indocin caps 50mg	—	175	—
Indocin SR caps 75mg	128	54	75
Moduretic tabs 5/50	42	48	16
Sinemet 10/100 tabs	—	192	—
Sinemet 25/100 tabs	—	156	—
Sinemet 25/250 tabs	—	148	—
Timoptic 0.5% 10ml	46	24	24
Timoptic 0.25% 15ml	160	135	137
Triavil 2-25 tabs	200	120	131
MARION LABORATORIES			
Carafate tabs 1gm	140	53	84
Cardizem tabs 30mg	76	37	53
Cardizem tabs 60mg	93	21	47
Ditropan tabs 5mg	—	—	181

	Number Of Rxs	$ Volume	$ Margin
McNEIL PHARMACEUTICALS			
Haldol tabs 1mg	—	—	175
Parafon Forte tabs	115	97	45
Tolectin DS caps 400mg	105	45	72
Tylenol w/cod #3 tabs	2	15	—
Tylenol w/cod #4 tabs	66	107	13
Tylox caps	148	174	66
MERRELL-DOW			
Nicorette gum	96	75	57
Quinamm tabs	—	—	164
Seldane tabs 60mg	20	20	—
NORWICH-EATON			
Entex-LA	62	145	56
Macrodantin caps 50mg	141	137	83
Macrodantin caps 100mg	—	196	—
ORTHO PHARMACEUTICALS			
Monistat-7 vag cr 45gm	31	42	—
Ortho Novum 1/50 21 ref	89	117	—
Ortho Novum 1/50 28 ref	90	130	—
Ortho Novum 1/35 21 ref	92	123	—
Ortho Novum 1/35 28 ref	41	59	—
Ortho Novum 7/7/7 21 ref	196	—	—
Ortho Novum 7/7/7 28 ref	74	110	—
PARKE DAVIS			
Anusol-HC supp	—	—	138
Benadryl caps 50mg	186	—	145
Dilantin caps 100mg	12	25	—
Eryc caps 250mg	49	94	7
Lopid caps 300mg	—	125	165
Meclomen caps 100mg	—	139	139
Nitrostat tabs 0.4mg	63	—	85
UD Procan SR tabs 500mg	—	131	191
PENNWALT			
Ionamin-30 caps	—	—	148
PFIZER LABORATORIES			
Diabinese tabs 250mg	48	27	33
Feldene caps 20mg	13	4	—
Minipress caps 1mg	70	72	40
Minipress caps 2mg	144	83	93
Minipress caps 5mg	—	146	—
Procardia caps 10mg	14	6	—
Vibra-tabs 100mg	—	169	185
Vibramycin caps 100mg	—	167	—
REED CARNRICK			
Kwell Shampoo 60ml	—	—	193
Midrin caps	—	—	198
RIKER			
Norgesic Forte tabs	—	164	129
ROCHE			
Accutane caps 40mg	—	119	—
Bactrim DS 28 pack	52	67	9
Bactrim DS Ped susp	—	—	195
Dalmane caps 15mg	125	181	79
Dalmane caps 30mg	38	73	1
Librax caps	133	111	89
Librium caps 10mg	—	—	170
Limbitrol tabs 10-25	—	191	—
Valium tabs 2mg	103	152	81
Valium tabs 5mg	5	8	20
Valium tabs 10mg	64	35	170

Top 200 Ranked by Manufacturer

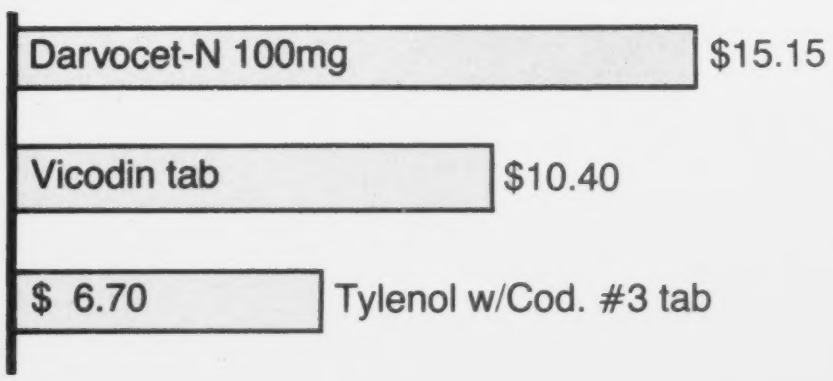
	Number Of Rxs	$ Volume	$ Margin
Valium tabs 10mg	64	35	170
ROERIG			
Antivert tabs 25mg	169	182	127
Geocillin tabs 382mg	—	190	—
Glucotrol tabs 5mg	—	—	199
Sinequan caps 25mg	—	—	190
SMITH KLINE FRENCH			
Dyazide	1	2	—
Ornade Span modified	150	155	105
Tagamet tabs 300mg	3	1	—
Tagamet tabs 400mg	97	30	54
SANDOZ			
Fiorinal tabs	113	172	70
Fiorinal caps	—	—	174
Hydergine oral tabs 1mg	—	170	—
Parlodel tabs 2.5mg	—	147	188
Sandimmune 100mg/ml 50ml	—	198	—
Tavist-D tabs	99	126	69
UD Restoril caps 15mg	131	187	82
UD Restoril caps 30mg	77	116	31
SCHERING			
Lotrimin cr 1% 90gm	107	161	80
Lotrisone cr 15gm	161	183	109
Proventil inhaler	39	56	12
Trinalin tabs	100	124	68
Valisone cr 0.1% 45gm	—	—	183
SEARLE LABS			
Aldactazide tabs 25/25	167	159	163
Calan tabs 80mg	171	102	123
Lomotil tabs 2.5mg	112	165	73
Norpace caps 150mg	—	193	—
SQUIBB PHARMACEUTICAL			
Capoten tabs 25mg	54	26	17
Capoten tabs 50mg	—	106	—
Corgard tabs 40mg 28-pk	73	40	55
Corgard tabs 80mg 28-pk	—	138	—
Mycolog cr 5gm	—	—	176
STUART PHARMACEUTICALS			
Nolvadex tabs 10mg	—	65	155
Stuartnatal 1 + 1 tabs	170	—	141
Tenoretic tabs 50mg	—	186	—
Tenormin tabs 50mg	9	5	—
Tenormin tabs 100mg	192	85	194
SYNTEX LABORATORIES			
Anaprox tabs 275mg	84	63	49
Naprosyn tabs 250mg	91	36	41
Naprosyn tabs 375mg	26	10	—
Naprosyn tabs 500mg	56	14	6
Nasalide soln 0.025% 25ml	177	166	143
Norinyl 1/35 21-pk	164	200	—
Norinyl 1/50 21 ref	153	195	—
USV			
Hygroton tabs 50mg	187	173	146
UPJOHN CO.			
E-Mycin E.C. tabs 333mg	68	128	37
E-Mycin tabs 250mg	126	—	117
Halcion tabs 0.25mg	57	88	18
Halcion tabs 0.5mg	87	108	35
Medrol 4mg 21 dosepk	138	173	87
Micronase tabs 5mg	142	81	92
Motrin tabs 400mg	25	43	5
Motrin tabs 600mg	18	23	—
Motrin tabs 800mg	111	115	65
Provera tabs 10mg	72	103	32
Tolinase tabs 250mg	—	132	—
Xanax tabs 0.25mg	60	71	22
Xanax tabs 0.5mg	28	22	—
Xanax tabs 1.0mg	175	80	91
WALLACE			
Soma tabs 350mg	—	151	99
Tussi-Organidin DM	199	—	154
Tussi-Organidin liquid	159	—	111
WINTHROP			
Danocrine caps 200mg	—	160	—
Talwin NX tabs	154	142	71
WYETH			
Ativan tabs 0.5mg	198	—	126
Ativan tabs 1mg	24	18	—
Ativan tabs 2mg	182	93	107
Lo Ovral 21	47	69	—
Lo Ovral 28	86	114	—
Omnipen caps 250mg	123	—	98
Omnipen caps 500mg	121	—	95
Ovral 21 3-pk	106	143	—
Ovral 28	176	—	—
Pen Vee K tabs 250mg	147	—	142
Phenergan w/cod syrup	145	—	97
Phenergan VC w/cod	—	—	184
Serax caps 15mg	—	189	—
Tri-Phasil 28 ref	179	—	—
Wygesic tabs	—	—	187
Wymox caps 250mg	156	—	—
Wymox susp 250mg/5ml 80ml	139	—	—

Dispensing Profiles/Analgesics

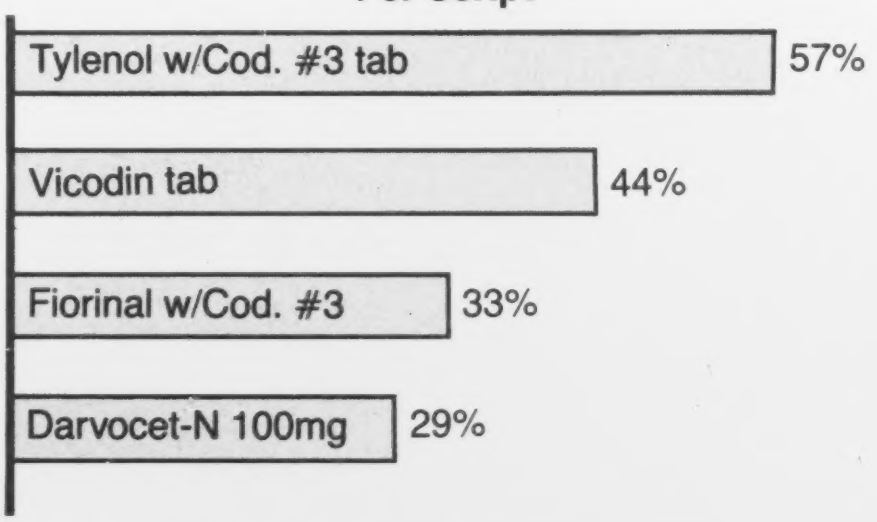
Darvocet-N 100mg Lilly—Avg. Rx #42 $15.15 Avg. % Gross Margin 29% Avg. % Refill 36%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	16.43	16.97	27.36	17.85	29.28	35.21	44.27	45.13	52.62	56.97	35.87
% of Rx Dispensed	6.94	5.39	0.74	12.78	5.10	28.71	3.07	17.14	18.93	1.16	**100.00**
Average GM %	58.32	49.87	47.92	44.58	41.90	36.71	34.30	28.22	17.88	13.56	29.70
Profitability Ratio*	4	6	9	2	7	1	8	3	5	10	—

Average Retail Price Per Script



Average % Gross Margin Per Script



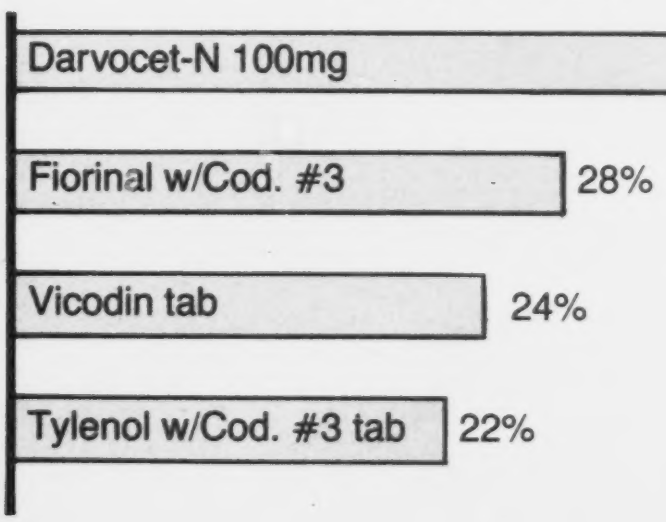
Fiorinal w/Codeine #3 Sandoz—Avg. Rx #00 $0.00 (NA) Avg. % Gross Margin 33% Avg. % Refill 28%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	21.08	11.38	16.46	19.58	21.83	32.80	35.90	44.00	40.85	20.00	28.17
% of Rx Dispensed	14.53	9.48	2.30	15.35	6.68	27.14	2.27	13.13	8.93	0.14	**100.00**
Average GM %	54.79	48.18	44.70	41.63	38.76	34.77	30.86	26.17	18.35	10.67	33.26
Profitability Ratio*	2	4	8	3	6	1	9	5	7	10	—

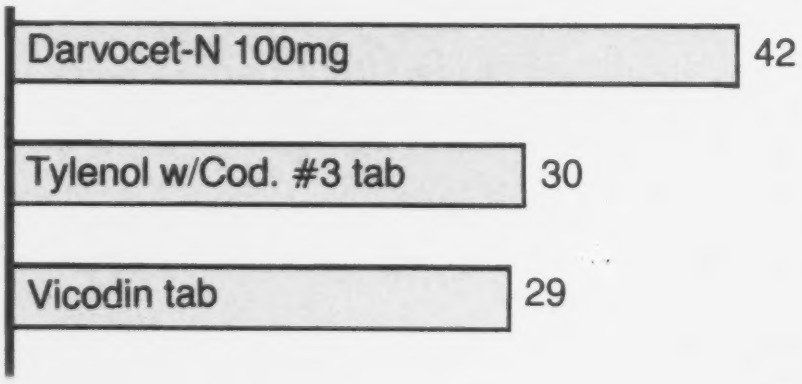
Tylenol/Codeine #3 30mg Tabs McNeil—Avg. Rx #30 $6.70 Avg. % Gross Margin 57% Avg. % Refill 22%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	7.01	9.68	14.00	11.95	21.03	26.80	28.37	41.09	50.06	54.05	22.30
% of Rx Dispensed	16.55	10.13	1.79	17.88	5.39	26.05	2.20	11.01	8.56	0.38	**100.00**
Average GM %	77.60	71.77	68.71	66.34	63.61	58.34	54.58	49.05	35.94	25.68	57.86
Profitability Ratio*	2	4	8	3	6	1	9	5	7	10	—

Average Refill %



Average Quantity Dispensed Per Script



Vicodin Tabs Knoll—Avg. Rx #29 $10.40 Avg. % Gross Margin 44% Avg. % Refill 24%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	11.54	12.93	9.38	15.16	20.85	29.38	31.79	35.19	44.74	33.33	23.41
% of Rx Dispensed	15.04	10.00	1.51	18.21	6.66	26.48	2.38	13.05	6.45	0.18	**100.00**
Average GM %	64.35	58.65	57.36	51.92	49.19	44.54	39.93	36.68	27.41	7.73	44.60
Profitability Ratio*	2	4	9	3	6	1	8	5	7	10	—

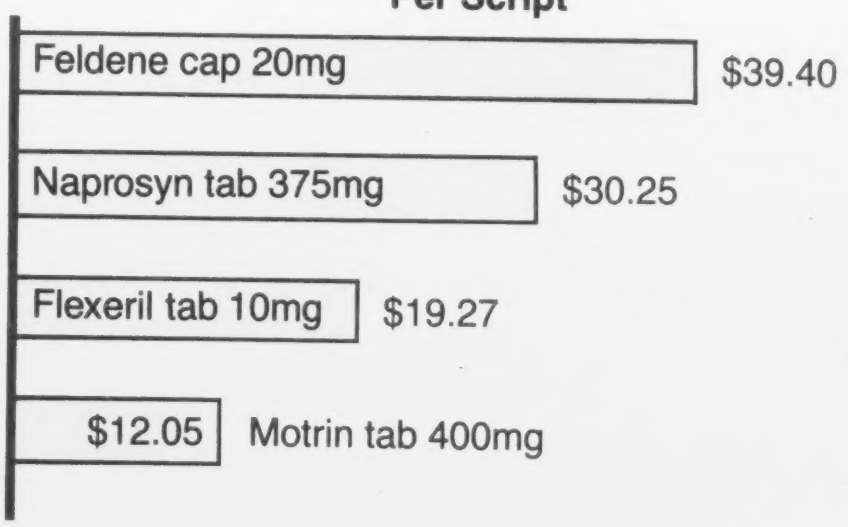
*Drug Store News has ranked each quantity on a scale of 1 to 10; 10 represents the most profitable quantity to dispense in terms of product movement and average gross margin.

Dispensing Profiles/Anti-Arthritics

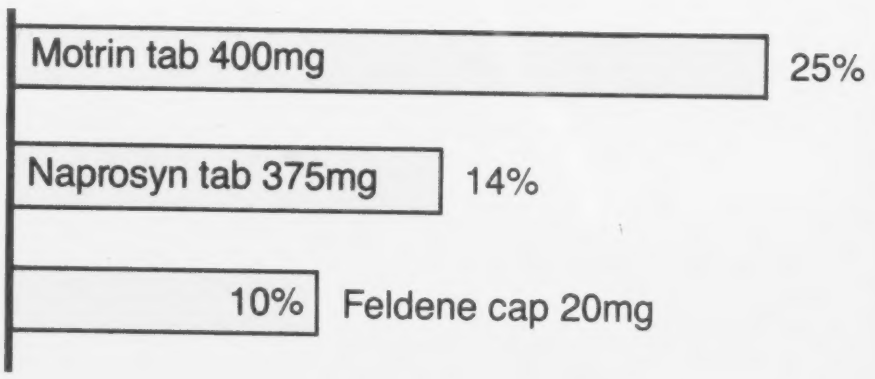
Feldene Caps 20mg Pfizer—Avg. Rx #29 $39.40 Avg. % Gross Margin 10% Avg. % Refill 54%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	33.66	44.54	53.33	40.79	33.10	58.88	70.36	61.13	53.14	16.67	53.84
% of Rx Dispensed	8.00	10.45	0.33	7.58	1.57	58.39	4.30	4.33	4.94	0.06	**100.00**
Average GM %	23.95	17.62	16.99	14.72	14.45	9.59	8.99	9.56	6.70	2.69	10.44
Profitability Ratio*	2	3	9	4	8	1	6	5	7	10	—

Average Retail Price Per Script



Average % Gross Margin Per Script



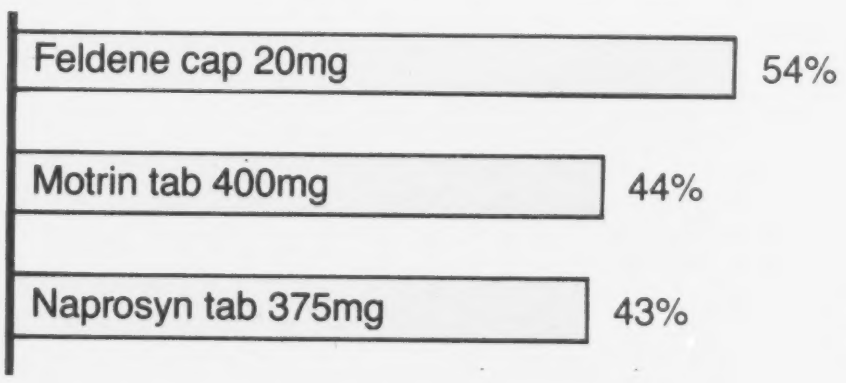
Flexeril 10mg Tabs MSD—Avg. Rx #34 $19.27 Avg. % Gross Margin (NA) Avg. % Refill (NA)

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	13.65	15.51	17.86	14.69	23.21	26.36	38.46	37.99	48.05	44.44	26.95
% of Rx Dispensed	5.31	9.87	1.09	11.89	9.30	37.44	1.02	12.09	11.59	0.35	**100.00**
Average GM %	44.26	35.53	33.25	33.48	31.63	25.97	26.22	21.55	15.55	11.13	24.45
Profitability Ratio*	6	3	8	2	4	1	9	5	7	10	—

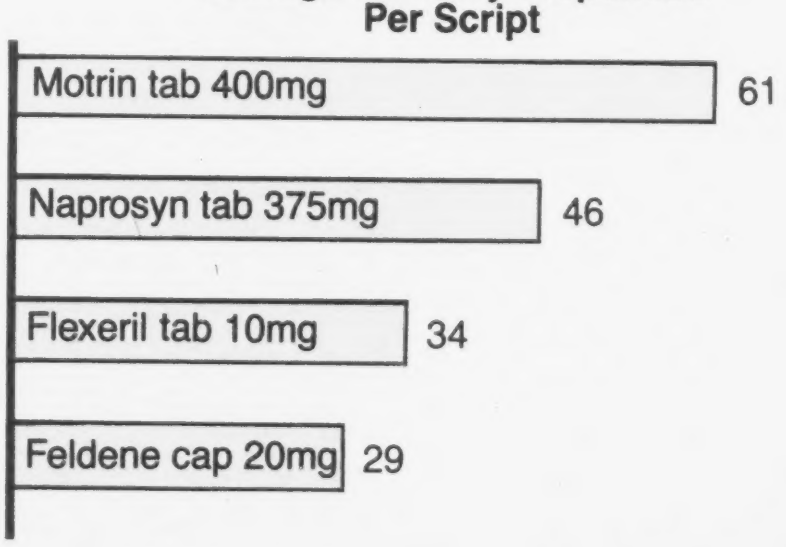
Motrin Tabs 400mg Upjohn—Avg. Rx #61 $12.05 Avg. % Gross Margin 75% Avg. % Refill 44%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	9.09	13.42	11.11	21.98	26.54	31.42	54.84	42.38	58.30	62.88	44.58
% of Rx Dispensed	2.00	2.47	0.14	7.70	3.50	18.55	1.02	18.42	39.11	7.02	**100.00**
Average GM %	65.09	56.36	58.81	48.98	48.15	39.79	42.83	31.98	21.48	13.48	26.46
Profitability Ratio*	7	6	10	4	5	2	9	3	1	8	—

Average Refill %



Average Quantity Dispensed Per Script



Naprosyn Tabs 375mg Syntex—Avg. Rx #46 $30.25 Avg. % Gross Margin 14% Avg. % Refill 43%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	25.00	28.35	40.91	21.25	26.89	39.97	51.72	48.29	54.25	58.33	43.43
% of Rx Dispensed	2.39	6.10	0.34	10.59	1.87	25.05	1.36	15.16	36.34	0.75	**100.00**
Average GM %	34.83	25.53	29.08	26.17	26.14	19.96	21.42	15.53	9.28	8.03	13.94
Profitability Ratio*	6	5	9	3	7	1	8	4	2	10	—

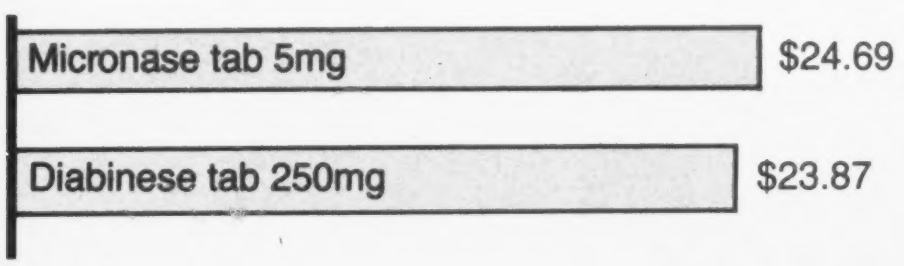
*Drug Store News has ranked each quantity on a scale of 1 to 10; 10 represents the most profitable quantity to dispense in terms of product movement and average gross margin.

Dispensing Profiles/Anti-Diabetics

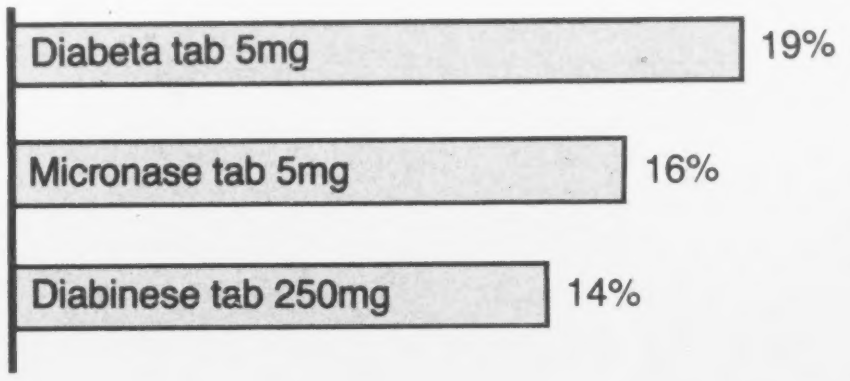
Diabeta Tabs 5mg Hoechst—Avg. Rx #00 $0.00 (NA) Avg. % Gross Margin 19% Avg. % Refill 65%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	86.36	73.91	100.00	66.67	50.00	66.75	72.41	57.35	63.60	58.11	64.40
% of Rx Dispensed	1.42	1.49	0.12	1.16	0.64	25.55	3.76	8.81	52.20	4.79	**100.00**
Average GM %	50.45	49.72	33.58	40.32	34.02	31.61	30.78	23.93	16.83	10.64	19.56
Profitability Ratio*	6	5	10	8	9	2	4	3	1	7	—

Average Retail Price Per Script



Average % Gross Margin Per Script



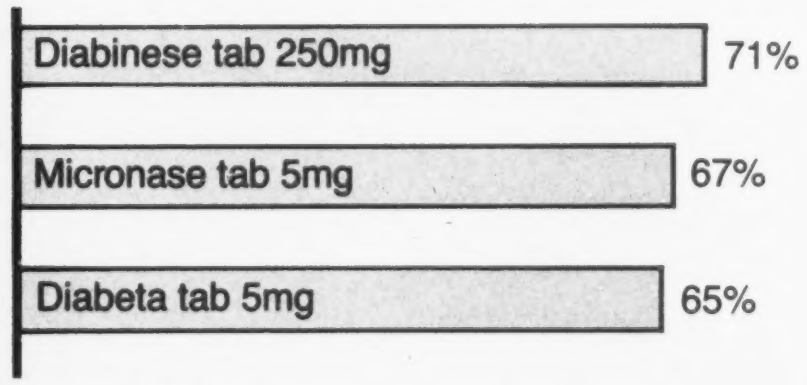
Diabinese Tabs 250mg Pfizer—Avg. Rx #64 $23.87 Avg. % Gross Margin 14% Avg. % Refill 71%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	76.09	80.49	93.33	62.22	70.00	74.59	78.00	74.88	68.05	62.26	70.99
% of Rx Dispensed	1.08	1.92	0.35	1.05	0.23	25.74	3.52	10.11	53.45	2.49	**100.00**
Average GM %	46.63	39.91	38.00	33.89	22.12	25.85	24.20	18.15	10.98	6.49	14.15
Profitability Ratio*	6	5	9	7	10	1	4	3	2	8	—

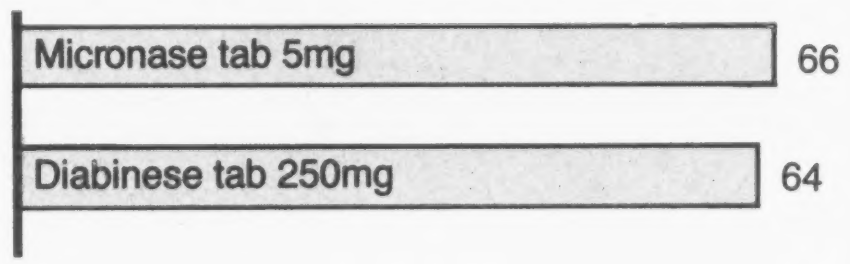
Glucotrol Tabs 10mg Roerig—Avg. Rx #00 $0.00 (NA) Gross Margin (NA) Refill % (NA)

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	40.00	36.36	0.00	25.00	0.00	66.67	100.00	72.88	65.60	58.33	64.41
% of Rx Dispensed	1.98	2.18	0.00	1.59	0.39	17.89	0.99	11.72	56.06	7.15	**100.00**
Average GM %	44.53	43.74	0.00	40.69	34.77	24.01	24.40	20.95	14.03	9.37	15.42
Profitability Ratio*	5	4	10	7	9	2	8	3	1	6	—

Average Refill %



Average Quantity Dispensed Per Script



Micronase Tabs 5mg Upjohn—Avg. Rx #66 $24.69 Avg. % Gross Margin 16% Avg. % Refill 67%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	78.57	80.65	80.00	53.85	71.43	68.36	72.22	66.83	66.84	62.11	67.42
% of Rx Dispensed	1.47	1.63	0.26	1.37	0.36	26.02	2.85	10.66	50.31	5.01	**100.00**
Average GM %	49.72	38.61	35.75	29.19	29.97	27.83	22.81	21.70	13.92	9.34	16.62
Profitability Ratio*	4	6	10	8	9	1	5	3	2	7	—

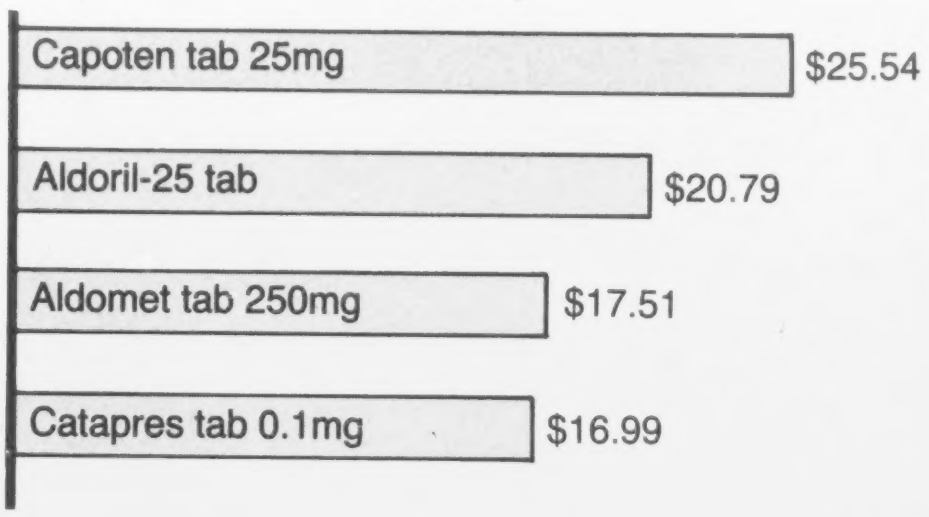
*Drug Store News has ranked each quantity on a scale of 1 to 10; 10 represents the most profitable quantity to dispense in terms of product movement and average gross margin.

Dispensing Profiles/Antihypertensives

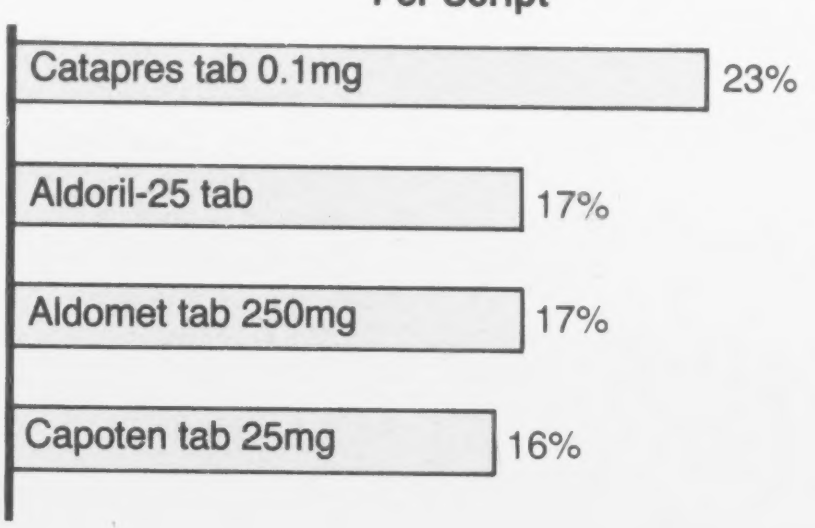
Aldoril-25 Tabs MSD—Avg. Rx #71 $20.79 Avg. % Gross Margin 17% Avg. % Refill 74%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	82.86	75.00	100.00	60.00	100.00	70.45	77.38	77.37	73.64	76.64	73.75
% of Rx Dispensed	1.10	1.25	0.15	0.31	0.22	18.31	2.64	8.62	63.99	3.36	**100.00**
Average GM %	51.24	47.68	53.50	45.56	36.33	31.16	33.45	24.09	15.31	10.86	17.71
Profitability Ratio*	6	5	9	8	10	2	4	3	1	7	—

Average Retail Price Per Script



Average % Gross Margin Per Script



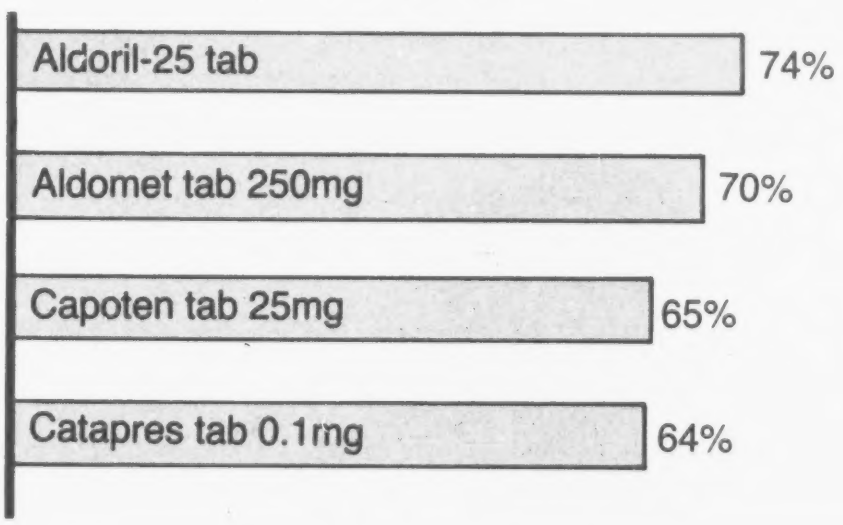
Capoten Tabs 25mg Squibb—Avg. Rx #73 $25.54 Avg. % Gross Margin 16% Avg. % Refill 65%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	46.34	54.35	58.33	53.97	56.25	63.02	66.67	67.79	67.17	71.75	66.14
% of Rx Dispensed	1.07	1.20	0.31	1.65	0.83	14.61	1.10	14.01	60.52	4.64	**100.00**
Average GM %	42.32	46.27	40.10	40.69	38.48	31.78	26.46	23.42	14.75	10.96	17.03
Profitability Ratio*	7	5	10	4	8	2	9	3	1	6	—

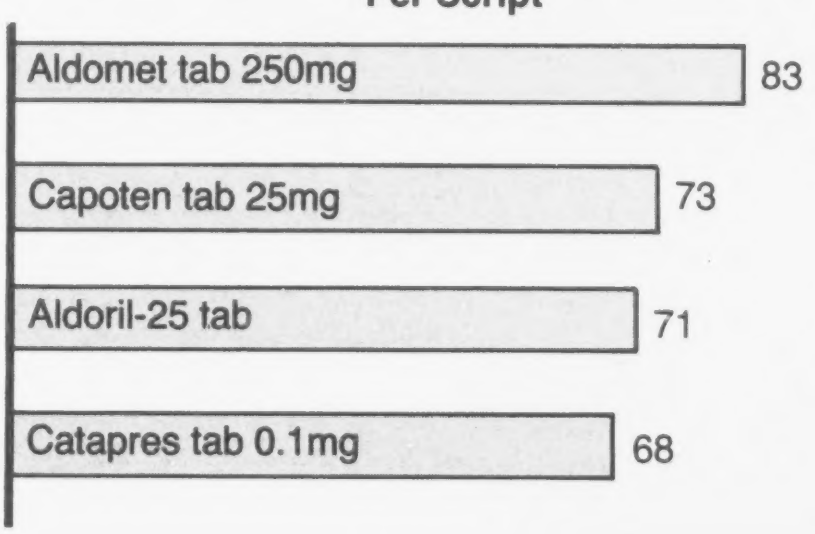
Catapres Tabs 0.1mg Boehringer—Avg. Rx #68 $16.99 Avg. % Gross Margin 23% Avg. % Refill 64%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	53.33	53.23	80.00	46.34	50.00	61.21	75.58	64.81	65.84	69.14	64.57
% of Rx Dispensed	1.75	1.80	0.14	1.19	0.40	18.88	2.51	8.37	59.80	5.10	**100.00**
Average GM %	56.84	54.13	39.62	46.25	44.70	38.38	35.85	30.71	20.75	16.08	23.54
Profitability Ratio*	4	5	10	8	9	2	6	3	1	7	—

Average Refill %



Average Quantity Dispensed Per Script



Aldomet Tabs 250mg MSD—Avg. Rx #83 $17.51 Avg. % Gross Margin 17% Avg. % Refill 70%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% of Refill	62.00	74.42	77.78	58.33	61.11	64.69	75.49	73.48	70.03	73.55	70.09
% of Rx Dispensed	0.63	0.54	0.11	0.45	0.22	8.92	1.28	7.27	71.88	8.66	**100.00**
Average GM %	59.57	53.24	46.75	45.80	48.41	37.71	36.32	26.90	15.83	10.42	16.87
Profitability Ratio*	6	7	10	8	9	2	5	3	1	4	—

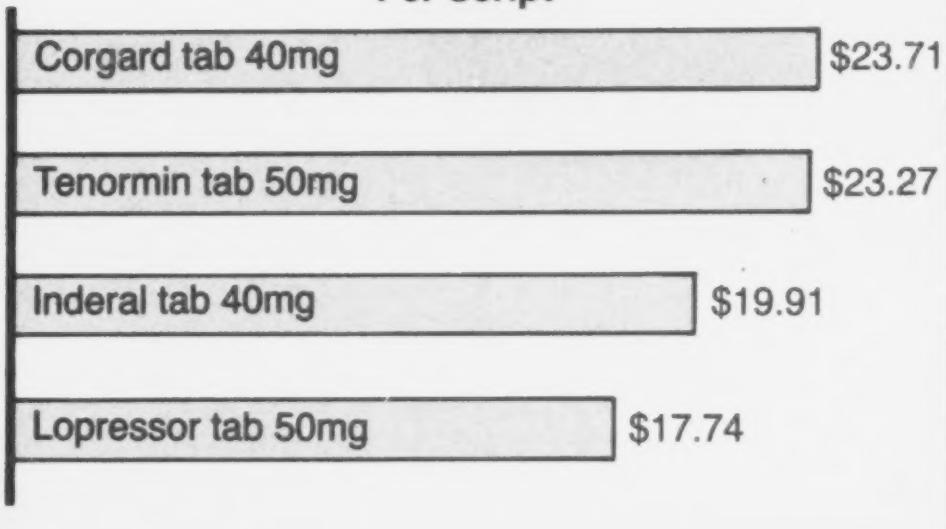
*Drug Store News has ranked each quantity on a scale of 1 to 10; 10 represents the most profitable quantity to dispense in terms of product movement and average gross margin.

Dispensing Profiles/Beta-Blockers

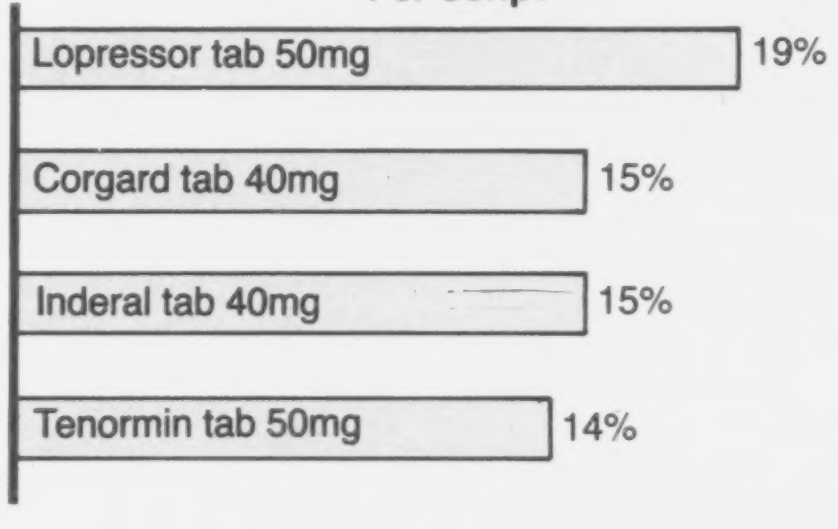
Corgard Tabs 40mg Squibb—Avg. Rx #52 $23.71 Avg. % Gross Margin 15% Avg. % Refill 70%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	64.06	70.64	88.89	57.69	81.82	70.60	73.08	74.78	68.29	52.38	70.18
% of Rx Dispensed	1.88	3.21	0.53	1.53	0.32	40.02	6.13	13.56	31.53	1.23	**100.00**
Average GM %	45.34	34.33	24.64	32.34	30.42	20.33	21.24	17.48	10.53	9.92	15.07
Profitability Ratio*	6	5	8	7	10	1	4	3	2	9	—

Average Retail Price Per Script



Average % Gross Margin Per Script



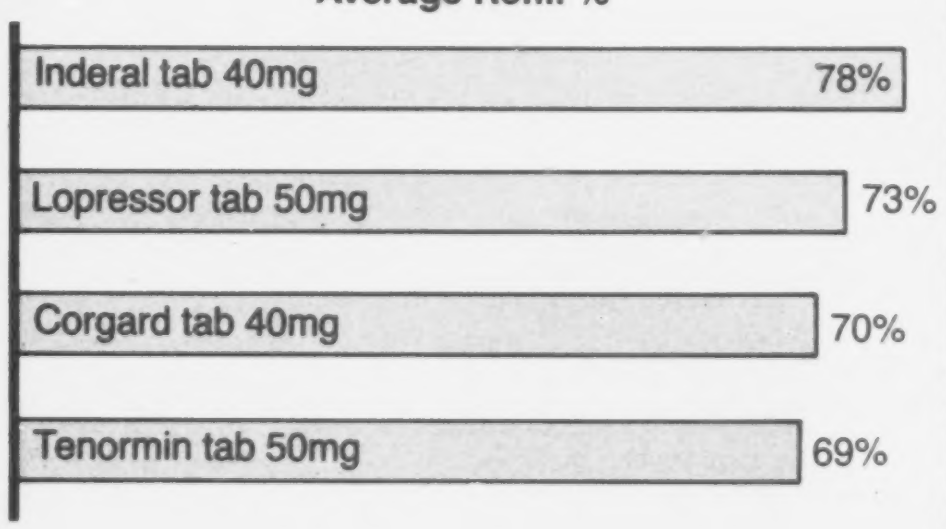
Inderal Tabs 40mg Ayerst—Avg. Rx #93 $19.91 Avg. % Gross Margin 15% Avg. % Refill 78%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	58.82	68.18	100.00	56.67	75.00	66.24	80.00	76.70	78.40	79.50	77.61
% of Rx Dispensed	0.51	0.67	0.06	0.45	0.30	4.75	0.38	6.75	71.32	14.76	**100.00**
Average GM %	64.99	53.10	51.91	45.57	45.42	35.04	38.09	28.23	14.95	10.66	15.15
Profitability Ratio*	6	5	10	7	8	3	9	2	1	4	—

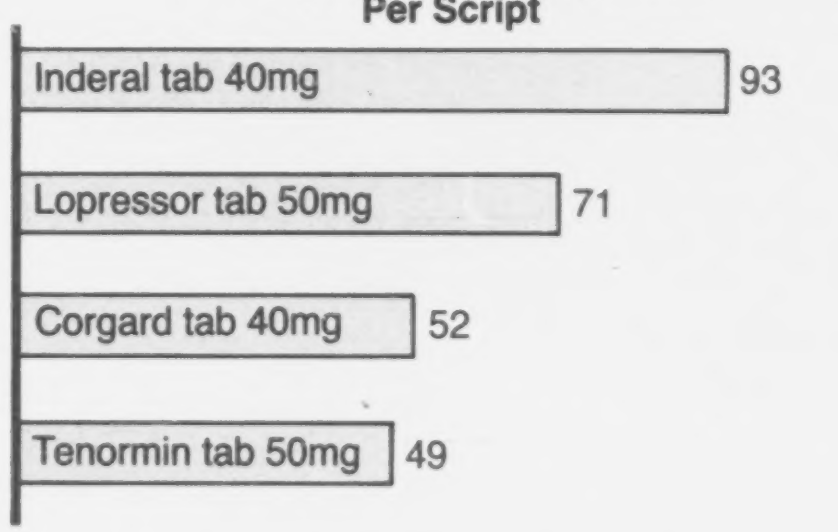
Lopressor Tabs 50mg Geigy—Avg. Rx #71 $17.74 Avg. % Gross Margin 19% Avg. % Refill 73%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	63.46	59.49	30.00	49.09	78.57	71.23	78.00	75.39	74.99	70.98	73.79
% of Rx Dispensed	0.74	1.13	0.14	0.79	0.20	17.43	2.87	9.22	63.78	3.66	**100.00**
Average GM %	59.87	46.94	27.41	43.98	40.83	33.50	32.90	26.58	16.42	12.68	18.98
Profitability Ratio*	7	5	10	8	9	2	4	3	1	6	—

Average Refill %



Average Quantity Dispensed Per Script



Tenormin Tabs 50mg Stuart—Avg. Rx #49 $23.27 Avg. % Gross Margin 14% Avg. % Refill 69%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	57.75	65.16	67.57	60.66	65.85	71.38	73.27	73.11	65.48	60.94	69.42
% of Rx Dispensed	1.29	2.83	0.33	1.11	0.37	44.30	6.32	13.31	29.50	0.58	**100.00**
Average GM %	36.80	33.19	29.67	30.74	27.54	17.47	20.16	16.94	9.43	10.44	13.83
Profitability Ratio*	6	5	8	7	9	1	4	3	2	10	—

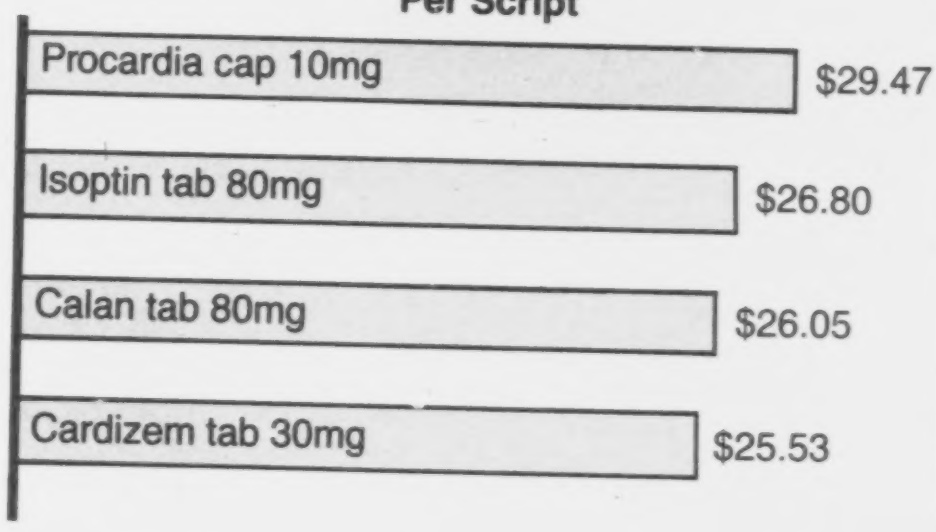
*Drug Store News has ranked each quantity on a scale of 1 to 10; 10 represents the most profitable quantity to dispense in terms of product movement and average gross margin.

Dispensing Profiles/Calcium Channel Blockers

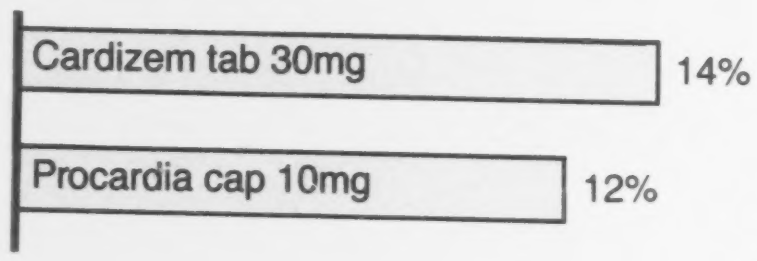
Calan Tabs 80mg Searle—Avg. Rx #87 $26.05 Avg. % Gross Margin (NA) Avg. % Refill (NA)

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	69.23	69.23	80.00	66.67	16.67	56.12	68.75	69.93	72.48	78.95	71.48
% of Rx Dispensed	0.74	0.74	0.28	0.51	0.34	5.61	0.91	8.76	75.54	6.52	**100.00**
Average GM %	57.24	34.48	44.53	47.57	27.06	32.08	23.58	25.48	15.51	7.99	15.91
Profitability Ratio*	5	6	9	7	10	3	8	2	1	4	—

Average Retail Price Per Script



Average % Gross Margin Per Script



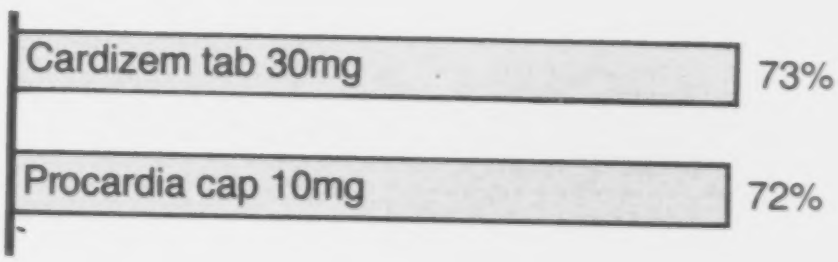
Cardizem Tabs 30mg Marion—Avg. Rx #95 $25.53 Avg. % Gross Margin 14% Avg. % Refill 73%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	75.00	88.89	0.00	36.36	68.18	60.17	62.50	74.64	74.05	72.48	73.17
% of Rx Dispensed	0.24	0.27	0.06	0.33	0.66	3.56	0.24	6.32	73.56	14.73	**100.00**
Average GM %	45.46	46.84	52.55	38.61	41.89	35.56	35.03	23.23	15.01	9.86	14.69
Profitability Ratio*	8	6	10	7	5	4	9	2	1	3	—

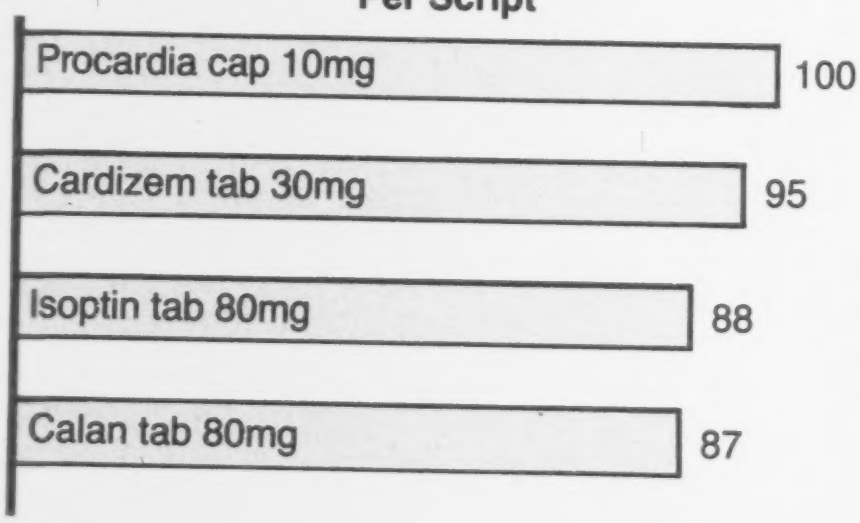
Procardia Caps 10mg Pfizer—Avg. Rx #100 $29.47 Avg. % Gross Margin 12% Avg. % Refill 72%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	50.00	45.83	0.00	38.46	56.76	58.57	55.00	75.17	72.82	73.54	72.13
% of Rx Dispensed	0.31	0.28	0.00	0.46	0.44	3.82	0.23	7.06	72.09	15.27	**100.00**
Average GM %	50.46	45.65	0.00	35.68	52.57	30.72	26.67	22.94	12.71	7.99	12.31
Profitability Ratio*	7	8	10	6	5	4	9	2	1	3	—

Average Refill %



Average Quantity Dispensed Per Script



Isoptin Tabs 80mg Knoll—Avg. Rx #88 $26.80 Avg. % Gross Margin (NA) Avg. % Refill (NA)

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	0.00	100.00	0.00	33.33	20.00	64.56	66.67	66.89	72.24	76.04	71.08
% of Rx Dispensed	0.21	0.14	0.00	0.21	0.36	5.71	0.43	10.70	75.27	6.94	**100.00**
Average GM %	51.61	44.76	0.00	47.80	38.03	38.13	29.13	26.49	16.24	13.88	17.30
Profitability Ratio*	7	9	10	8	5	3	6	2	1	4	—

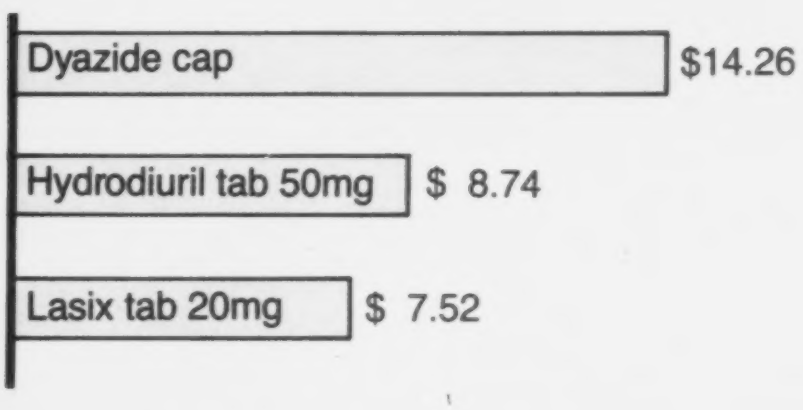
*Drug Store News has ranked each quantity on a scale of 1 to 10; 10 represents the most profitable quantity to dispense in terms of product movement and average gross margin.

Dispensing Profiles/Diuretics

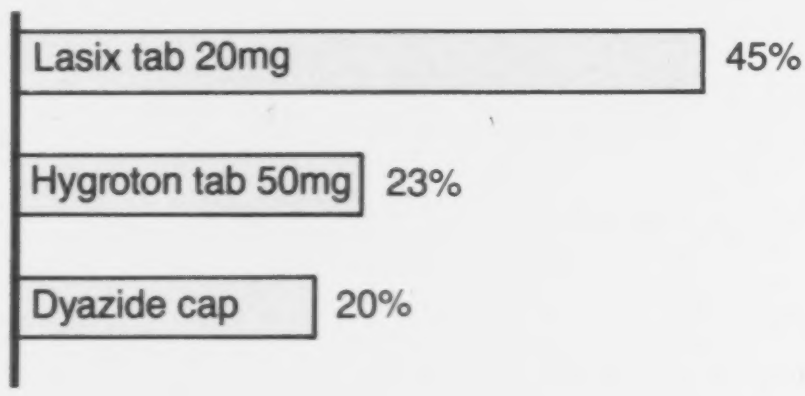
Dyazide Caps SKF—Avg. Rx #60 $14.26 Avg. % Gross Margin 20% Avg. % Refill 70%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	54.03	59.78	67.44	60.19	65.55	68.55	75.27	72.56	71.27	68.33	70.14
% of Rx Dispensed	1.02	1.54	0.14	1.06	0.40	33.88	5.50	9.64	44.91	1.85	**100.00**
Average GM %	59.28	50.83	45.73	44.98	42.37	34.24	33.74	25.07	13.33	8.42	19.94
Profitability Ratio*	6	5	10	7	8	1	4	3	2	9	—

Average Retail Price Per Script



Average % Gross Margin Per Script



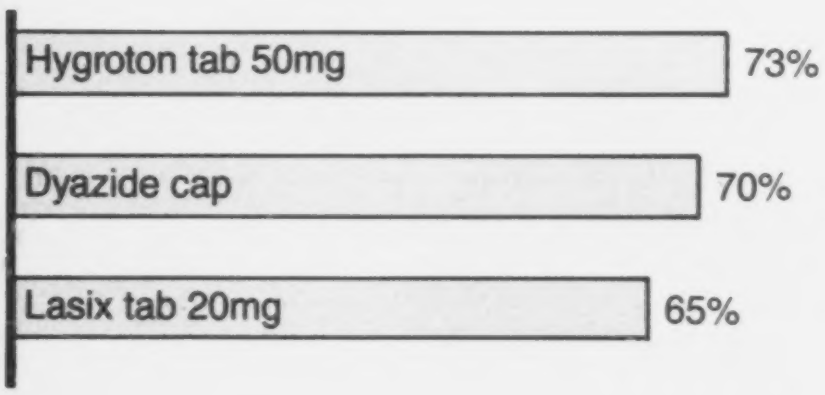
Hydrodiuril Tabs 50mg MSD—Avg. Rx #60 $8.74 Avg. % Gross Margin (NA) Avg. % Refill (NA)

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	47.83	64.71	100.00	61.76	100.00	75.63	83.49	79.02	75.90	68.89	76.00
% of Rx Dispensed	0.95	0.70	0.04	1.41	0.49	34.48	4.53	12.68	42.80	1.87	**100.00**
Average GM %	75.41	67.84	65.89	60.95	61.90	52.83	52.69	40.18	26.92	22.68	35.99
Profitability Ratio*	6	7	10	5	9	1	4	3	2	8	—

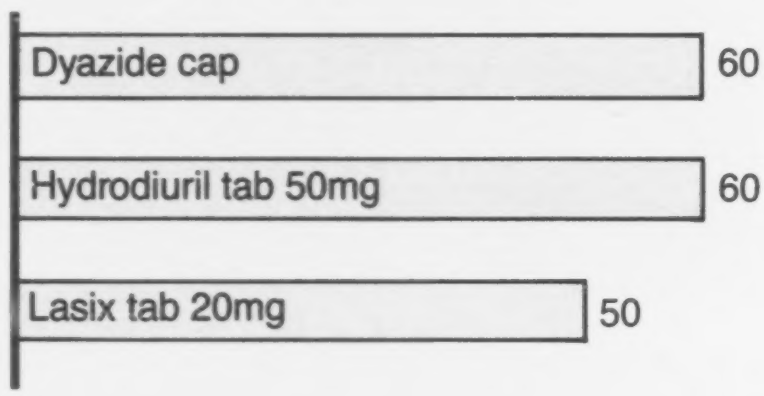
Lasix Tabs 20mg Hoechst—Avg. Rx #50 $7.52 Avg. % Gross Margin 45% Avg. % Refill 65%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	28.57	46.67	33.33	46.60	68.18	61.90	76.56	69.91	70.14	68.42	64.41
% of Rx Dispensed	2.33	2.50	0.20	3.43	0.73	42.50	4.27	11.65	31.08	1.26	**100.00**
Average GM %	81.08	70.65	71.59	65.05	61.82	55.35	55.65	46.70	33.57	22.93	44.53
Profitability Ratio*	6	7	.10	5	8	1	4	3	2	9	—

Average Refill %



Average Quantity Dispensed Per Script



Hygroton Tabs 50mg USV—Avg. Rx #00 $0.00 (NA) Avg. % Gross Margin 23% Avg. % Refill 73%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	74.19	85.00	100.00	65.38	66.67	77.42	73.08	80.73	68.51	27.27	74.21
% of Rx Dispensed	1.96	2.53	0.19	1.64	0.95	41.25	6.59	12.16	32.00	0.69	**100.00**
Average GM %	71.13	49.33	43.12	44.79	40.66	32.92	29.76	23.48	16.36	13.31	23.71
Profitability Ratio*	5	6	10	7	8	1	4	3	2	9	—

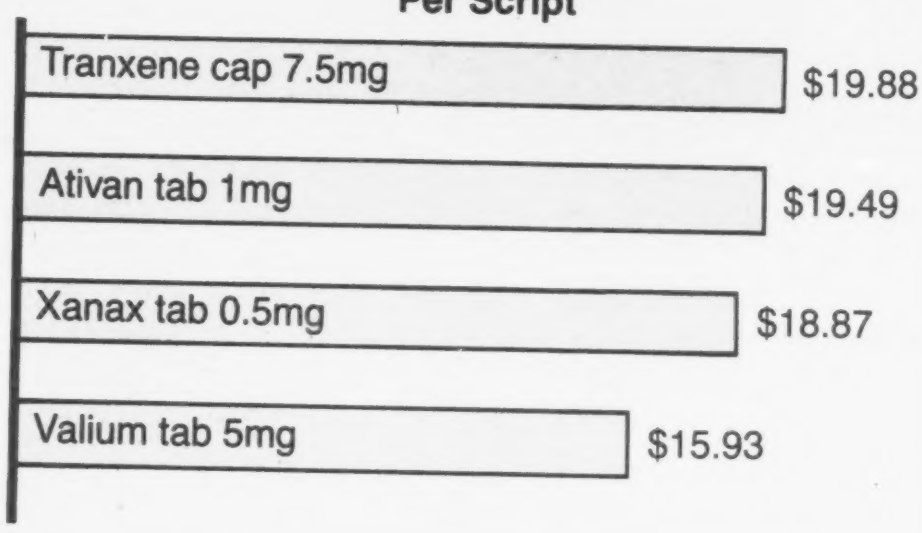
*Drug Store News has ranked each quantity on a scale of 1 to 10; 10 represents the most profitable quantity to dispense in terms of product movement and average gross margin.

Dispensing Profiles/Tranquilizers

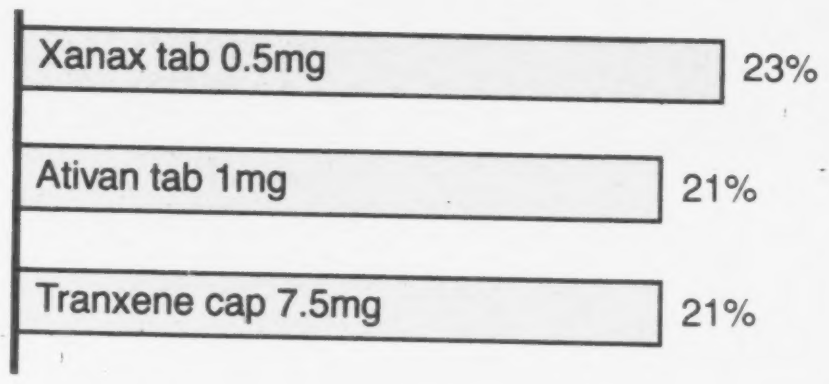
Tranxene Caps 7.5mg Abbott—Avg. Rx #53 $19.88 Avg. % Gross Margin 21% Avg. % Refill 48%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	36.11	40.00	41.67	35.51	49.46	44.07	43.68	45.96	53.43	59.18	47.63
% of Rx Dispensed	2.97	1.51	0.33	3.80	2.56	28.84	2.39	18.78	37.42	1.35	**100.00**
Average GM %	52.71	45.29	42.06	38.96	36.47	31.53	29.45	23.56	15.65	12.07	21.34
Profitability Ratio*	4	8	10	5	6	1	7	3	2	9	—

Average Retail Price Per Script



Average % Gross Margin Per Script



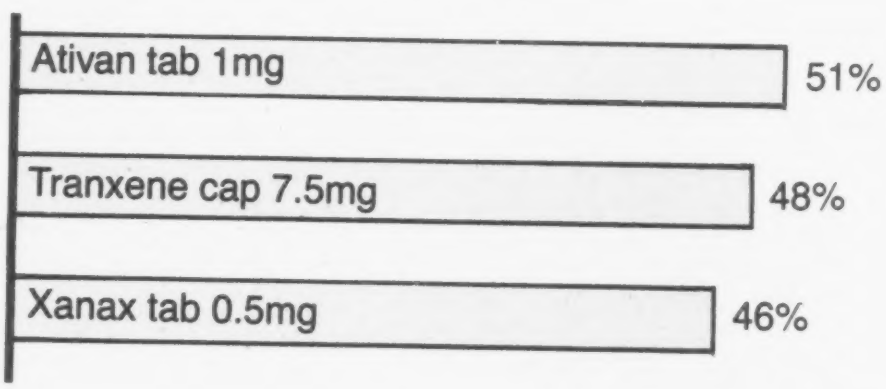
Valium Tabs 5mg Roche—Avg. Rx #53 $15.93 Avg. % Gross Margin (NA) Avg. % Refill (NA)

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	22.73	28.04	46.88	27.47	33.85	41.71	51.23	46.79	49.61	48.29	43.76
% of Rx Dispensed	4.10	2.10	0.24	5.44	2.00	27.61	2.21	21.09	33.57	1.59	**100.00**
Average GM %	60.17	48.36	46.20	41.99	39.69	33.42	32.35	25.49	15.27	11.16	22.69
Profitability Ratio*	4	6	10	5	7	1	8	2	3	9	—

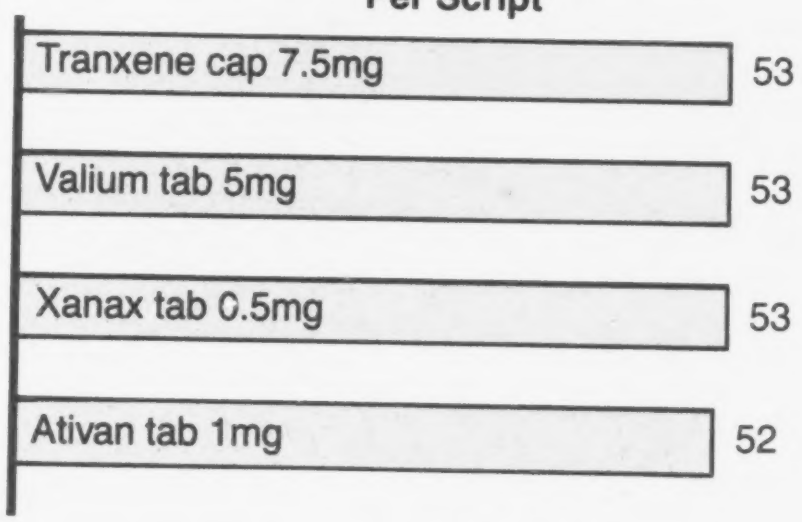
Xanax Tabs 0.5mg Upjohn—Avg. Rx #53 $18.87 Avg. % Gross Margin 23% Avg. % Refill 46%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	35.34	38.13	30.77	34.64	47.06	42.96	54.95	48.53	48.91	46.92	45.85
% of Rx Dispensed	2.17	2.61	0.21	4.57	1.94	29.02	1.48	20.51	35.32	2.12	**100.00**
Average GM %	53.86	45.70	45.74	41.31	38.18	33.27	30.95	25.16	17.22	12.25	22.99
Profitability Ratio*	6	5	10	4	7	1	8	3	2	9	—

Average Refill %



Average Quantity Dispensed Per Script



Ativan Tabs 1mg Wyeth—Avg. Rx #52 $19.49 Avg. % Gross Margin 21% Avg. % Refill 51%

Quantity Dispensed	0-12	13-16	17-18	19-20	21-24	25-30	31-36	37-50	51-100	100+	Total/Avg.
% Refill	32.24	49.64	70.97	28.03	36.26	48.72	44.22	52.79	55.74	52.43	50.67
% of Rx Dispensed	2.40	2.20	0.49	4.17	1.44	30.18	2.32	19.01	36.12	1.63	**100.00**
Average GM %	53.99	44.75	46.22	39.41	36.95	31.07	30.18	23.18	16.24	12.65	21.70
Profitability Ratio*	5	6	9	4	8	1	7	3	2	10	—

*Drug Store News has ranked each quantity on a scale of 1 to 10; 10 represents the most profitable quantity to dispense in terms of product movement and average gross margin.

Top 100 Bulk Buying Chart

Product	Manufacturer	Small Size	Small Price	Bulk Size	Bulk Price	Savings $	Savings %
Acetaminophen w/codeine 30mg	Rugby	100	$ 8.05	500	$ 37.75	2.50	6.2
Achromycin V capsules 250mg	Lederle	100	5.89	1,000	33.68	25.22	42.8
Aldomet tablets 250mg	MSD	100	19.11	1,000	185.49	5.61	2.9
Aldomet tablets 500mg	MSD	100	34.91	500	172.10	2.45	1.4
Aldoril tablets 25mg	MSD	100	26.63	1,000	258.54	7.76	2.9
Amoxil capsules 250mg	Beecham	100	21.07	500	100.36	4.99	4.7
Amoxil capsules 500mg	Beecham	100	39.42	1,000	185.27	208.93	53.0
Anaprox tablets 275mg	Syntex	100	45.52	500	219.76	7.84	3.6
Ativan tablets 1mg	Wyeth	100	31.20	1,000	296.45	15.55	5.0
Bactrim DS tablets	Roche	100	49.14	500	198.39	47.31	23.9
Capoten tablets 25mg	Squibb	100	33.19	1,000	328.33	3.57	1.1
Catapres tablets 0.1mg	Boehringer Ingelheim	100	19.83	1,000	192.37	5.93	3.0
Ceclor capsules 250mg	Lilly	15	15.23	100	96.61	4.92	4.9
Corgard tablets 40mg	Squibb	100	45.36	1,000	438.96	14.64	3.2
Coumadin tablets 5mg	Dupont	100	16.68	1,000	157.62	9.18	5.5
Dalmane capsules 15mg	Roche	100	21.72	500	107.60	1.00	4.6
Dalmane capsules 30mg	Roche	100	23.64	500	117.20	1.00	4.3
Darvocet N 100mg	Lilly	100	27.12	500	128.83	6.77	5.0
Desyrel tablets 50mg	Mead Johnson	100	26.73	1,000	253.87	13.43	5.0
Diabinese tablets 250mg	Pfizer	100	34.59	1,000	331.98	13.92	4.0
Dilantin capsules 100mg	Parke Davis	100	9.53	1,000	81.29	14.01	14.7
Donnatal tablets	A. H. Robins	100	4.30	1,000	38.75	4.25	9.9
Duricef capsules 500mg	Mead Johnson	24	31.50	100	128.47	2.78	21.2
Dyazide capsules	SKF	100	20.35	1,000	196.25	7.25	3.6
E-Mycin tablets 250mg	Upjohn	100	20.36	500	101.00	0.80	3.9
E-Mycin tablets 333mg	Upjohn	100	27.15	500	134.69	1.06	0.8
E.E.S. 400 filmtab	Abbott	100	21.08	500	100.12	5.28	5.0
Empirin w/codeine #3	Burroughs Wellcome	100	12.84	1,000	103.15	25.25	19.7
Eryc capsules 250mg	Parke Davis	100	23.63	500	115.18	2.97	2.5
Erythrocin tablets 250mg	Abbott	100	12.96	500	61.54	3.26	5.0
Feldene capsules 20mg	Pfizer	100	128.46	500	628.97	13.33	2.1
Fiorinal tablets	Sandoz	100	14.88	1,000	141.00	7.80	5.2
Flexeril tablets 10mg	MSD	30	14.55	100	45.79	2.71	5.6
Furosemide tablets 40mg	Rugby	100	6.30	1,000	28.06	34.94	55.5
Hydrochlorothiazide 50mg	Rugby	100	1.50	1,000	7.13	7.87	52.5
Hydrodiuril tablets 50mg	MSD	100	10.40	1,000	98.60	5.40	5.2
Inderal tablets 10mg	Ayerst	100	11.88	1,000	113.98	4.82	4.1
Inderal tablets 20mg	Ayerst	100	16.68	1,000	160.37	6.43	3.9
Inderal tablets 40mg	Ayerst	100	21.85	1,000	210.00	8.50	3.9
Indocin SR capsules 75mg	MSD	30	22.61	60	45.23	0.01	0.0
Indocin capsules 25mg	MSD	100	29.58	1000	286.86	8.94	3.0
K-tabs 750mg	Abbott	100	11.07	1,000	106.26	4.44	4.0
Keflex capsules 250mg	Dista	20	13.23	100	63.01	4.14	6.3
Keflex capsules 500mg	Dista	20	26.04	100	123.83	6.37	4.9
Klotrix tablets 10Meq	Mead Johnson	100	9.71	1,000	82.25	14.85	15.3
Lanoxin tablets 0.125mg	Burroughs Wellcome	100	4.80	1,000	39.60	8.40	17.5
Lanoxin tablets 0.25mg	Burroughs Wellcome	100	4.80	5,000	186.00	54.00	22.5
Lasix tablets 20mg	Hoechst	100	8.85	1,000	79.85	8.65	9.8
Lasix tablets 40mg	Hoechst	100	12.45	1,000	112.35	12.15	9.8
Librax capsules	Roche	100	26.43	500	131.15	1.00	0.8

Top 100 Bulk Buying Chart

Product	Manufacturer	Small Size	Small Price	Bulk Size	Bulk Price	Savings $	Savings %
Lomotil tablets	Searle	100	24.16	1,000	213.69	27.91	11.6
Lopressor tablets 100mg	Geigy	100	38.01	1,000	368.45	11.65	3.1
Lopressor tablets 50mg	Geigy	100	21.12	1,000	204.66	6.54	3.1
Micro-K tablets 8Meq	A.H. Robins	100	8.20	500	36.65	4.35	10.6
Micronase tablets 5mg	Upjohn	100	33.70	1,000	281.25	55.75	16.5
Minipress capsules 1mg	Pfizer	250	44.26	1,000	173.53	3.51	19.8
Minipress capsules 2mg	Pfizer	250	61.61	1,000	241.56	4.88	2.0
Motrin tablets 400mg	Upjohn	100	17.31	500	71.80	14.75	17.0
Motrin tablets 600mg	Upjohn	100	24.56	500	101.66	21.14	17.2
Motrin tablets 800mg	Upjohn	100	32.24	500	128.93	32.27	20.0
Nalfon tablets 600mg	Dista	100	37.40	500	181.66	5.34	2.9
Naprosyn tablets 250mg	Syntex	100	47.00	500	229.07	5.93	2.5
Naprosyn tablets 375mg	Syntex	100	59.87	500	290.36	8.99	30.0
Naprosyn tablets 500mg	Syntex	100	73.39	500	357.84	9.11	2.5
Omnipen capsules 250mg	Wyeth	100	13.16	500	62.71	3.09	4.7
Omnipen capsules 500mg	Wyeth	100	25.70	500	120.94	7.56	5.9
Ornade spansules	SKF	50	17.75	500	172.50	5.00	2.8
Parafon Forte	McNeil	100	29.50	500	143.16	4.34	2.9
Percocet-5 tablets	Dupont	100	23.94	500	106.25	13.45	11.2
Percodan tablets	Dupont	100	23.88	1,000	225.88	12.92	5.4
Persantine tablets 25mg	Boehringer Ingelheim	100	14.29	1,000	135.61	7.29	5.1
Persantine tablets 50mg	Boehringer Ingelheim	100	23.04	1,000	218.90	11.50	5.0
Premarin tablets 0.625mg	Ayerst	100	13.34	1,000	127.12	6.28	4.7
Premarin tablets 1.25mg	Ayerst	100	18.25	1,000	174.02	8.48	4.6
Procardia capsules 10mg	Pfizer	100	27.31	300	80.30	1.63	2.0
Provera tablets 10mg	Upjohn	100	39.19	500	195.00	0.95	2.4
Reglan tablets 120mg	A.H. Robins	100	24.75	500	117.40	6.35	5.1
Rufen tablets 400mg	Boots	100	11.64	500	51.84	6.36	10.9
Rufen tablets 600mg	Boots	100	16.32	500	72.60	9.00	11.0
Slow K tablets	Ciba	100	8.91	1,000	86.42	2.68	3.0
Synalgos DC capsules	Ives	100	26.54	500	126.17	6.53	4.9
Synthroid tablets 0.15mg	Flint	100	9.94	1,000	84.48	14.92	15.0
Synthroid tablets 0.1mg	Flint	100	8.28	1,000	70.38	12.42	15.0
Synthroid tablets 0.2mg	Flint	100	11.91	1,000	101.25	17.85	15.0
Tegretol tablets 200mg	Geigy	100	22.50	1,000	218.03	6.97	3.1
Theo-Dur tablets 200mg	Key	100	12.94	1,000	117.49	11.91	9.2
Theo-Dur tablets 300mg	Key	100	15.36	1,000	141.01	12.59	8.2
Thyroid tablets 1gr	Armour	100	3.56	1,000	32.26	3.34	9.4
Timoptic ophth drops 0.5%	MSD	5	11.53	15	33.48	1.11	3.2
Tranxene capsules 3.75mg	Abbott	100	26.35	500	128.95	2.80	1.1
Tranxene capsules 7.5mg	Abbott	100	33.67	500	165.79	2.56	1.5
Tylenol w/codeine #3	McNeil	100	10.18	1,000	93.56	8.24	8.1
Tylenol w/codeine #4	McNeil	100	19.14	500	90.78	4.92	5.1
Valium tablets 10mg	Roche	100	41.33	500	205.65	1.00	0.5
Valium tablets 2mg	Roche	100	15.71	500	77.55	1.00	1.3
Valium tablets 5mg	Roche	100	24.50	500	121.50	1.00	0.8
Vicodin tablets	Knoll	100	20.22	500	94.02	7.08	7.0
Xanax tablets 0.25mg	Upjohn	100	22.53	500	109.26	3.49	3.1
Xanax tablets 0.5mg	Upjohn	100	29.04	500	140.80	4.40	3.0
Zyloprim tablets 300mg	Burroughs Wellcome	100	29.90	500	143.06	6.44	4.4

* = Based on Average Wholesale Price

Source: Decision Data, Medi-Span

Guide to Pharmacy Computer Systems

Name of system	Name of company	Entry level price	Price updates: monthly charge	Price updates: source	Hardware (cpu only)	Entry level: storage	Entry level: main memory	Entry level: Special features	Maintenance charges
Bluff Creek Pharmacy Management System	Bluff Creek Systems, Greenville, Tex.	$13,500*	$50	Medi-Span	Texas Instruments Professional Computer	10MB	256K		H-$69/Mo. S-$25/Mo.
CompuPhase 2	Bergen Brunswig Orange, CA	16,995*	50	N/A	Altos 586T & 986T	40MB	512K	Auto reorder, daily price updates	H-150/Mo. S-75/Mo.
Computascript	Systems Research and Development Corp., Research Triangle Park, N.C.	H-13,995 (turnkey system) S-7500	60	First Data Bank	IBM PC & compatibles, AT&T, NCR	20MB	512K	N/C for modem, N/C for first year maintenance & price updates	H-85/Mo. S-50/Mo.
Compute-Rx "AT"	Compute-Rx, Richmond, Va.	15,950*	45	Medi-Span	IBM PC-AT & IBM PC-XT	20MB	512K	Cartridge backup & color monitor	H-110/Mo. S-53/Mo.
Condor RX-80 Pharmacy System	The Condor Corp. Pelham, Ala.	start at 8,000	45	First data base (Blue Book)	Most mini & micro computers	10MB	256K	Inventory, third party plans	H-N/A S-100/Mo.
CORE-Rx	CORE Software Solutions Inc. New York, N.Y.	14,030*	25	Medi-Span	IBM PCs & compatibles	20MB	256K		H-1,020/Yr. S-50/Mo.
DataStat-PC	National Data Corp. Atlanta, Ga.	11,595* S-5,350	50	First Data Bank, Medi-Span or selected wholesalers	IBM PC-XT & AT	10MB	256K	Price modeling, create-a-label tape claims processing	H-50/Mo. S-100/Mo.
Entry Level	FoxMeyer-IBL Southlake, Tex.	15,995*	100	Blue Book	Motorola 68000	40MB	768K	Streamer & modem included	H- S-200/Mo.
Etreby Pharmacy Computer	Etreby Computer Company Inc., Industry, Calif.	8,950*	25	Etreby In-house	IBM PC, IBM AT & compatibles	20MB	256K		H-60/Mo. S-70/Mo.
EZ-RX System	Signature Software Systems, Pickerington, Ohio	4,995*	30	Medi-Span	IBM PC/XT & AT, Kaypro 10	10MB	256K	Alpha drug patient & account lookup, multiple fee schedules	H-none
H.B.S.	Health Business Systems Inc. Southampton, Pa.	10,600*	20	Medi-Span	Digital	11MB	256K	complete software	H-100/Mo. S-50/Mo.
Honeywell Compass	Honeywell Billerica, Mass.	16,500* to 19,995*	50	Medi-Span	DPS 6/10 Wren I, DPS 6/22 Wren I, DPS CR41 Wren I	28MB	512K	#1 Diskette Drive 650KB(5¼"), Opt. Streamer Tape 64MB (1¼")	H-56/Mo. S-25/Mo.
(ICL) Radius Retail and Drug Integrated User System	ICL North America Stamford, Conn.	**	**		ICL DRS #9383 & 9387	20MB	320K	communications	(avail from vendor)
Inte-Rx	Interactive Systems & Management Corp., Little Falls, N.J.	9,995*	(incl.)		DEC PDP 11 & Vax, IBM PC-XT, AT & compatibles	10MB	256K	First yr hardware maintenance fee	200/Mo. S-150/Mo.
Mavis	Mavis Computer Systems Rancho, Calif.	H-8,950 S-2,000	45	Medi-Span	Alpha Micro	20MB	512K		H-75/Mo. S-50/Mo.
NCRx	NCR Corporation Dayton, Ohio	H-6,500 S-7,500	60	Medi-Span	NCR PC family, NCR Tower family	20MB	256K	10MB streamer	H-varies S-8% of software/Yr.
PCI Professional Systems Inc. (pc I and pc X)	PCI Professional Systems, Granbury, Tex.	pcI-9,995* pc X-21,800*	20-30	First Data Bank or Medi-Span	IBM PC-XT, AT and AT&T 6300, 3B1, 3B2, NCR PC6, PC8 and Tower family.	10MB	512K		H-50-150/Mo. S-75/Mo.

H—Hardware
S—Software
*—Hardware and software combined
**—Based on number of stores

Source: *Drug Store News* research

Guide to Pharmacy Computer Systems

System name	Name of company	Entry level price	Price updates: monthly charge	Price updates: source	Hardware (cpu only)	Entry level: storage	Entry level: main memory	Entry level: Special features	Maintenance charges
Pharm-Ease	Data-Rite Industries Inc. Spokane, Wash.	H-5,000 S-5,000	35	Medi-Span	NCR Tower family. Compaq Deskpro 286, AT&T 6300, IBM PC AT	20MB	512K	Function Key driven & Med Check	H-75-109/ Mo. S-55/Mo.
Pharm-Hand/ Indispensible	Specomp Inc. Opa Locka, Fla.	H-4,500-7,000 S-2,500-4,500	50	Gulf Drug	Apple IIe, IBM PC	10MB	48K		H-25-50/ Mo. S-35/Mo.
Renlar Systems	Renlar Systems Inc., Lexington, Ky. 40581	10,995*	30-40	Medi-Span	DEC Pro, DEC 11/23	31MB	512K		H- S-11/Mo.
Rx Netc	Good Health Systems, Augusta, Me.	N/A	25-40	First Data, Medi-Span	IBM PC/AT & XT	20MB	256K	Total MS-DOS compatible	H-585/yr S-50/Mo.
QS/1 Pharmacy System	Smith Data Processing Spartansburg, S.C.	H-5,168 S-7,000	30-40	Medi-Span	IBM PC, Seiko 8600, IBM Series I	10MB	256K	160 cps printer	H-54/Mo. S-54.17/ Mo.
Qwik-Script Pharmacy System	Cisco Computer Systems Crockett, Tex.	H-4,995 S-2,995	30	Medi-Span IBM compatibles	IBM PC, IBM AT, AT&T, Compaq &	20MB	256k	Label &A/R form generator	H-50/Mo.
RNA Pharmacy Computer System	RNA Incorporated Centerville, Ohio	H-18,995 S-1,500	42	Medicom	Texas Instruments 300A,/10A,/10 and /12	38MB	512K	Business package N/C	S-99/Mo. H-135/Mo.
Scriptform Pharmacy System	Scriptform, Fort Lee, N.J.	15,900*		(Included in software maintenance)	Data General	15MB	256K		H-100/Mo. S-35/Mo.
Script Pharmacy System	Hugin-Sweda Inc. Pine Brook, N.J.	H-10,495 S-8,000	N/A	N/A	Model 9010 Retail Business Computer	15MB	256K		H-1,125/yr S-NA
Script Systems Inc.	Script Systems Inc., Hasbrouck Heights, N.J.	13,950*	45	In-house	Data General	15MB	256K	Third party checking	H-79/Mo. S-60/Mo.
Speed Script	Digital Simplistics Inc. Overland Park, Kan.	11,495*	30	Medi-Span	Digital Equipment LSI 11/23	10MB	256K		H-200/Mo. S-450/yr
System/Quickscript	Business Systems Inc. Mount Laurel, N.J.	8,995	30	Medi-Span	IBM PC/XT & AT, AT&T 6300, Texas Instruments	20MB	256K		H-100/Mo. S-35/Mo.
'The Solution'	General Computer Corp. Twinsburg, Ohio	9,995*	55	Medi-Span	NEC Astra mini computer	20MB	512K	File building and training	H-1,400/yr S-975/75
1200 RPM	Freedom Data Systems Inc. Newport, N.H.	H-8.545 S-6,000	30	Medi-Span	IBM PC/AT & XT, Tandy 1200 & 2000	10MB	256K	Color monitor, word processing, electronic mail	H-52/Mo. S-44/mo
Adix Pharmacy System	American Data Consultants, Joplin, Mo.	H-8,000 S-4,950	35/Mo.	American Data Consul-Consultants	AT&T 7300, 3B-1 NRC Minitower, Tower-XP Perkin Elmer 7350A	20MB	1MB		H-From manufacturer S-65/Mo.
PRx Pharmacy System	PRx Pharmacy Systems, Boulder, Colo.	15,600*	40/Mo.	Medi-Span	Data General	15MB	256KB	Report writer inventory control	H-115/Mo.-4 hr. reponse 89/Mo.-24 hr. response S-600/yr
Rx Express	ComCoTec Inc., Burr Ridge, Ill.	16,800*	30/Mo.	Medi-Span	IBM PC AT, XT D.E.C.	20MB	512KB	Complete recovery	H-133/Mo. S-50/Mo.

H—Hardware
S—Software
*—Hardware and software combined
**—Based on number of stores

Source: *Drug Store News* research

Guide to Pharmacy Computer Systems

Name of system	Name of company	Entry level price	Price updates: monthly charge	Price updates: source	Hardware (cpu only)	Entry level: storage	Entry level: main memory	Entry level: Special features	Maintenance charges
CompuScription Pharmacy System	Compu-Scription Inc., Arlington Heights, Ill.	8,000* S-1,395	30	Medi-Span	IBM PC and compatabiles TRS 12,16 CP/M 8-bit systems	20MB	256KB	Tape back-up with file-to-file restore capability	H-60/Mo. S-20/Mo.
Ozark Software Systems Pharmacy System	Ozark Software Systems Inc., Rogers, Ariz.	H-3,200 S-3,200 under 6,000*	Included in software maintenance fee	In-house	Tandy 2000HD RS Model 12 RS Model II	10MB	256KB		S-75/Mo.
PC/Pharmacist, Pharmacist/36	Response Inc. Jackson, Minn.	H-8,900 (PC-XT) S-18,000	30-50/ Mo.	Medi-Span	IBM PC, XT, AT IBM System/36 PC IBM System/36	10MB (PC) 40MB (S/36)	256KB	On-Line help-S/36	H-45/Mo. (PC, XT, AT) 125/Mo. (S/36) S-30/Mo. (PC, XT, AT) 85/Mo. (S/36)
Triad Pharmacy System	Triad Pharmacy Systems Inc., Charlotte, N.C.	9,995*	Included in software maintenance	Medi-Span	Texas Instrument Professional	10MB	256KB	Toll-free support line	H-$81 (on-site) S-$100/Mo.

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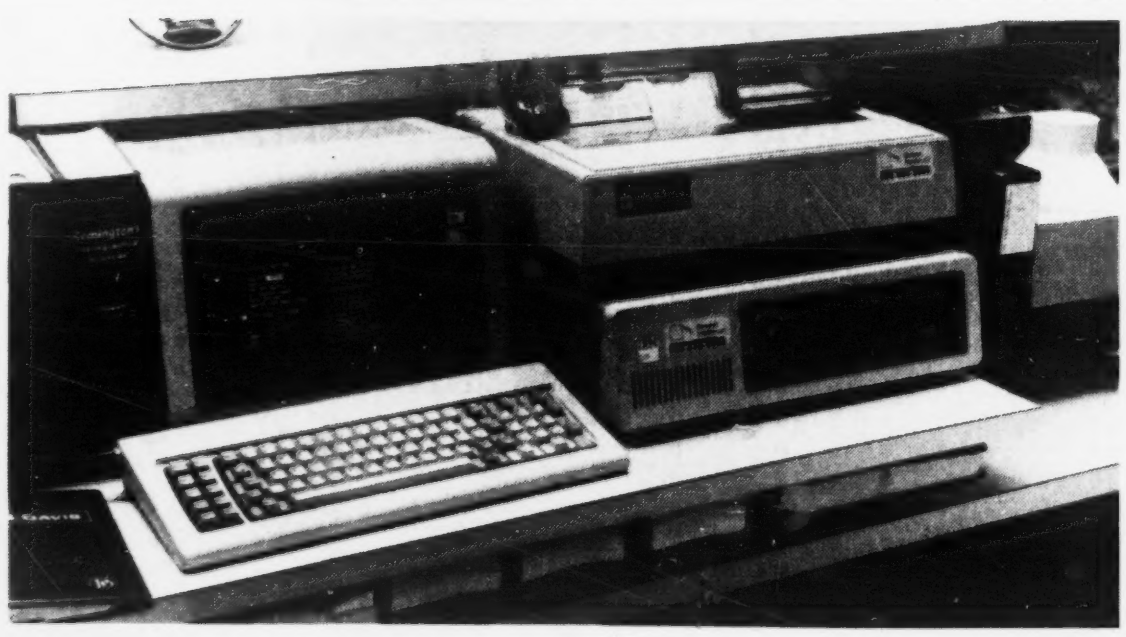
**—Based on number of stores

Source: *Drug Store News* research



Guide to Pharmacy Software Computer Systems

System name	Label/Receipt	Patient Profile	Drug Internations Drug/Allergy	Drug/Drug	Drug/Illness	Third Party Processing On Computer	Electronic Transmission	Nursing Home Processing	Accounts Receivable	Payroll	Perpetual Inventory	Durable Medical Equipment	Controlled Substance Report	General Ledger	Accounts Payable
Adix Pharmacy System	B	B	B	B	B	B	N/A	B	B	N/A	B	X	B	X	X
Bluff Creek Pharmacy	B	B	B	B	B	B	B	X	B	X	B	X	B	X	X
CompuPhase 2	B	B	B	B	N/A	B	N/A	X	B	X	X	N/A	B	X	X
CompuScription Pharmacy System	B	B	N/A	N/A	N/A	B	N/A	B	B	X	N/A	N/A	B	X	X
Computascript	B	B	B	B	N/A	B	N/A	X	B	X	X	N/A	B	X	X
Compute-Rx "AT"	B	B	N/A	B	N/A	B	X	X	B	X	B	N/A	B	X	X
Condor RX-80 Pharmacy System	B	B	B	B	B	B	B	X	X	X	B	X	B	X	X
CORE-Rx	B	B	X	X	X	B	B	B	B	X	B	X	B	X	X
DataStat-PC	B	B	X	X	N/A	B	X	X	X	X	X	X	B	X	X
Entry Level-Fox-Meyer	B	B	B	B	N/A	B	B	X	X	X	B	N/A	B	X	X
Etreby Pharmacy Computer	B	B	B	B	B	B	N/A	X	X	X	B	N/A	B	X	X
EZ-Rx System	B	B	B	B	B	B	B	X	B	N/A	B	X	B	X	B
H.B.S	B	B	B	X	N/A	B	X	X	X	X	B	X	B	X	X
Honeywell Compass	B	B	B	B	N/A	B	X	X	X	X	X	N/A	B	X	X
ICL Radius Retail User System	B	B	B	B	B	B	X	X	B	X	B	X	B	X	X
InteRx	B	B	B	B	N/A	B	B	X	B	X	X	N/A	B	X	X
MAVIS	B	B	B	B	N/A	B	X	X	X	X	X	X	B	X	X
NCRx	B	B	X	X	X	B	X	X	B	X	X	N/A	B	X	X
Ozark Software Systems	B	B	B	B	N/A	B	N/A	N/A	B	X	B	N/A	B	X	X
PC/Pharmacist, Pharmacist/36	B	B	B	B	N/A	B	B	X	B	X	B	N/A	B	X	X
pcl Professional Systems	B	B	B	B	N/A	B	B	X	X	N/A	B	N/A	B	X	X
PRX Pharmacy Systems	B	B	B	B	N/A	B	X	X	B	X	B	N/A	B	X	X
"PharmEase"	B	B	B	B	B	B	B	B	B	X	B	X	B	X	X
Pharm-Hand	B	B	N/A	N/A	N/A	B	N/A	N/A	X	X	X	N/A	N/A	X	X
Renlar Systems	B	B	N/A	B	N/A	B	B	X	X	X	B	X	B	X	X
Rx 30 AFS	B	B	B	B	N/A	B	B	X	B	X	B	N/A	B	X	X
Rx Express	B	B	B	B	N/A	B	X	X	X	X	B	X	B	X	X
RxNet	B	B	X	B	N/A	B	B	X	B	X	X	X	B	X	X
QS/1 Pharmacy System	B	B	B	B	N/A	B	N/A	B	X	X	B	X	B	X	X
QWIK-SCRIPT	B	B	X	X	X	B	X	X	B	X	B	X	B	X	X
RNA Pharmacy Computer	B	B	B	B	B	B	X	B	B	B	N/A	B	B	B	B
Scriptform Pharmacy System	B	B	B	B	N/A	B	B	X	X	N/A	B	X	B	X	X
Script Pharmacy System	B	B	B	B	B	B	X	N/A	N/A	N/A	B	N/A	B	N/A	N/A
Script Systems Inc.	B	B	B	B	N/A	B	B	X	B	X	B	X	B	X	X
Speed Script	B	B	X	X	N/A	B	X	X	B	X	B	N/A	B	X	X
System/Quickscript	B	B	B	B	B	B	B	X	X	X	B	N/A	B	X	X
The Solution	B	B	B	B	B	B	B	X	X	X	B	X	B	X	X
Triad Pharmacy System	B	B	B	B	B	B	B	X	X	X	B	X	B	X	X
1200 RPM	B	B	B	B	B	B	B	X	X	X	B	N/A	B	X	X

B = Basic/Entry Level X = Extra/Upgrade N/A = Not Available
Source: *Drug Store News Research*

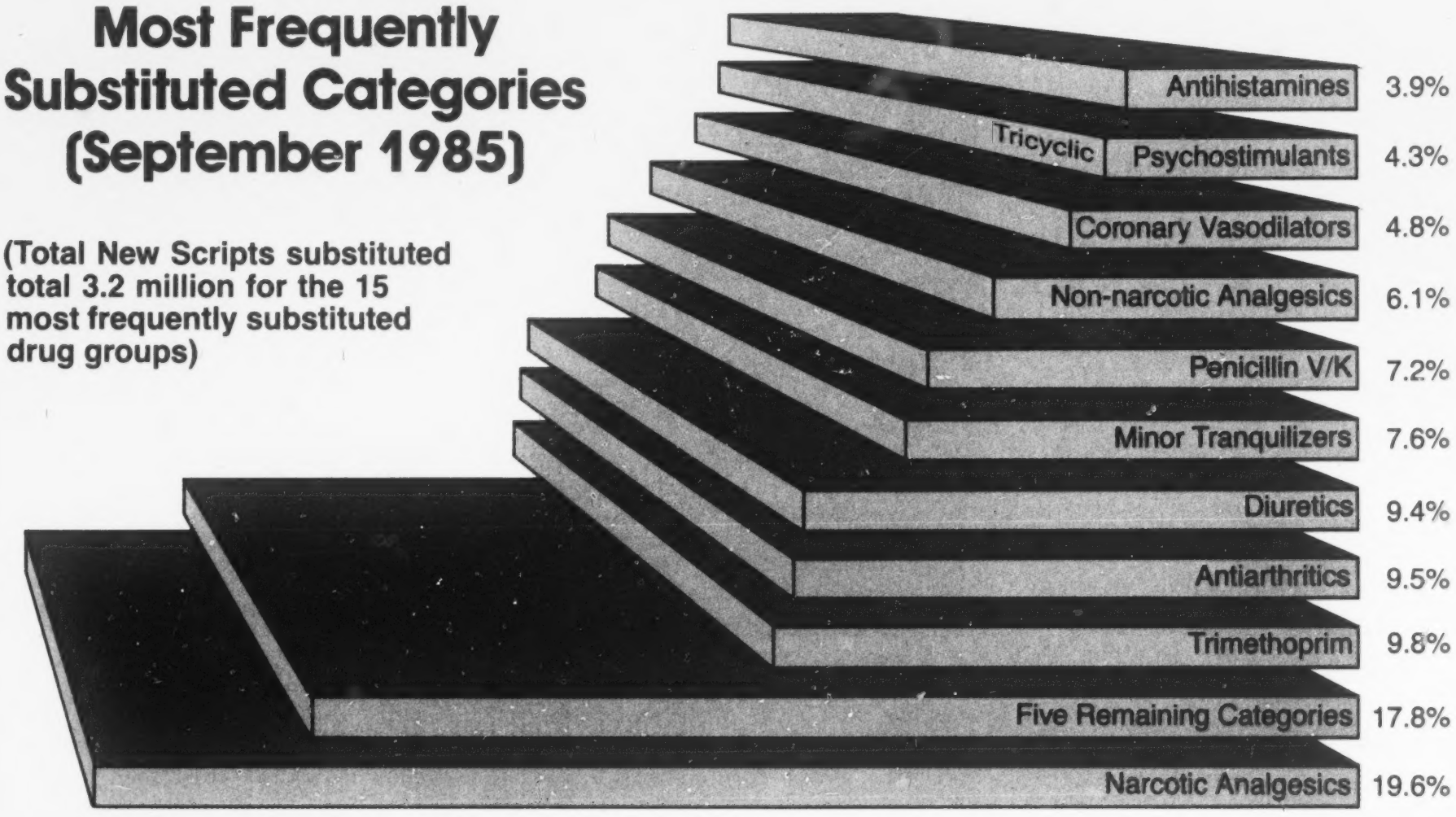
15 Most Frequently Prescribed Generic Categories

Rank based on number of scripts '84	Rank based on number of scripts '85	Product Category	Total Category % Growth '85/'84 New Rxs	Total Category % Growth '85/'84 Total Rxs
1	1	Amoxicillin	+10%	+10%
3	2	Penicillin V/K	+ 1	+ 1
2	3	Ampicillin	+ 1	+ 1
4	4	Tetracyclines	− 3	− 3
5	5	Erythromycin	− 1	− 1
6	6	Prednisone Oral	+ 2	+ 1
7	7	Thiazides	− 7	− 9
8	8	Coronary Vasodilators	+ 2	+ 4
10	9	Topical Corticosteroids	+ 1	+ 1
12	10	Analgesics with Codeine	+ 1	+ 1
9	11	Phenobarbital	− 3	− 3
14	12	Tricyclic Antidepressants	+ 4	+ 6
11	13	Nitroglycerin	+ 1	+ 1
13	14	Hematinics	− 3	− 3
16	15	Thyroid	+ 1	N.C.

Source: *Drug Store News* Survey

Most Frequently Substituted Categories (September 1985)

(Total New Scripts substituted total 3.2 million for the 15 most frequently substituted drug groups)



Source: Market Measures

1985 New and Refill Prescription Volume in Retail Drug Stores (Noncompounded Prescriptions)

	Rx Volume (# Millions)	% Share	% Change from 1984
New	756	48.9%	+1%
Refill	790	51.1	+1
Total Scripts	1,546	100.0	+1

Source: *Drug Store News* Survey

Summary of Drug Substitution Regulations by State

State	Formulary Limitations	Mandatory or discretionary	Mandates record of substitutions	Mandates savings be given to consumers	Mandates patient notification
Alabama	none	d	yes	yes	no
Alaska	none	d	no	yes	yes
Arizona	none	d	yes	yes	yes
Arkansas	negative	d	no	yes	yes
California	negative	d	no	yes	yes
Colorado	none	d	yes	yes	yes
Connecticut	none	d	yes	yes	yes
Delaware	positive (FDA)	d	yes	yes	yes
D.C.	positive	d	yes	yes	yes
Florida	negative†	m	yes	yes	yes
Georgia	none	d	yes	no	yes
Hawaii	positive	m	yes	yes	yes
Idaho	none	d	yes	yes	yes
Illinois	positive	d	yes	yes	no
Indiana	none	d	yes	no	yes
Iowa	none	d	no	yes	yes
Kansas	none	d	no	yes	no
Kentucky	negative (FDA)	m	yes	yes	no
Louisiana	none	d	yes	yes	yes
Maine	none	d	no	no	yes
Maryland	positive	d	yes	yes	yes
Massachusetts	positive	m	no	yes	no
Michigan	none	d	yes	yes	yes
Minnesota	none	d	no	yes	yes
Mississippi	none	m	no	yes	yes
Missouri	negative	d	yes	yes	yes
Montana	none	d	no	yes	yes
Nebraska	negative	d	no	yes	yes
Nevada	positive (FDA)	d	yes	yes	yes
New Hampshire	positive (FDA)	d	yes	yes	yes
New Jersey	positive	m	no	yes	yes
New Mexico	positive (FDA)	d	no	yes	no
New York	positive	m	yes	yes	yes
North Carolina	none	d	yes	yes	no
North Dakota	none	d	yes	yes	yes
Ohio	positive†	d	no	yes	yes
Oklahoma	none	d	no	no	yes
Oregon	none	d	yes	yes	yes
Pennsylvania	positive‡	m	yes	yes	yes
Puerto Rico	positive	d	yes	yes	yes
Rhode Island	negative	m	yes	yes	no
South Carolina	none	d	no	no	no
South Dakota	none	d	no	no	no
Tennessee	positive	d	yes	yes	no
Texas	none	d	yes	yes	yes
Utah	positive (FDA)	d	yes	yes	yes
Vermont	positive	m	no	no	yes
Virginia	positive	d	yes	yes	yes
Washington	positive (FDA)	m	yes	yes	no
West Virginia	negative	m	yes	yes	yes
Wisconsin	positive (FDA)	d	no	yes	yes
Wyoming	none	d	yes	yes	no

†Each pharmacy is to develop DPS list.
‡List from state formulary.
Source: *Drug Store News* Survey

Potential Poisoning Agents (Ranked by Seriousness of Medical Consequences)

Poisoning agent	Likely medical consequence			% of cases treated at a health care facility
	major (%)	minor (%)	none (%)	
Pharmaceuticals				
Antidepressants	36	44	20	76
Muscle relaxants	33	43	24	70
Sedative/hypnotics/antipsychotics	32	46	22	66
Stimulants/street drugs	30	44	26	55
Antineoplastics	25	31	44	52
Anticonvulsants	24	43	33	58
Antihistamines	20	43	37	47
Asthma therapies	20	41	39	52
Anticholinergics	19	38	43	46
Cardiovasculars	18	32	50	46
Analgesics	16	38	46	40
Diuretics	15	37	48	37
Cough/cold preps	10	40	50	28
Anesthetics	9	37	54	15
Anticoagulants	9	32	59	28
Antimicrobials	9	45	46	16
Ear/eye/nose/throat preps	8	38	54	21
Gastrointestinal preps	8	47	45	11
Diagnostics	7	35	58	23
Electrolytes	7	43	50	13
Hormones	7	44	49	12
Topicals	6	43	51	13
Vitamins	6	39	55	12
Nonpharmaceuticals				
Alcohol	18	45	37	33
Chemicals	13	53	34	26
Hydrocarbons	13	46	41	22
Insecticides/pesticides	13	45	42	24
Cleaning substances	10	52	38	17
Cosmetics	7	43	50	7
Plants	7	42	51	7

Source: Annual Report of the American Association of Poison Control Centers, 1984

Dear Pharmacist:

As a service to your customers, you may wish to zerox this chart to distribute to patients with small children.

Safeguarding Your Home From Poisonings

1. Poison Control Center Number ____ 800 _____ (Fill in local number)
2. Keep one 1-oz. bottle of syrup of ipecac per child
3. Put locks on all cabinet doors
4. Keep *all* medications, especially vitamins and flavored analgesics, out of the reach AND sight of children
5. Keep the safety caps on all medications
6. Keep all cleaning fluids and detergents in locked cabinets
7. Know the names of all household plants
8. Always call the POISON CONTROL CENTER if you suspect a poisoning has occurred.
9. If, despite your efforts, some type of poisoning does occur and you must go to a hospital, always bring a sample or the original bottle from the ingested substance.

Courtesy of: Stamp in your name and the name of your store

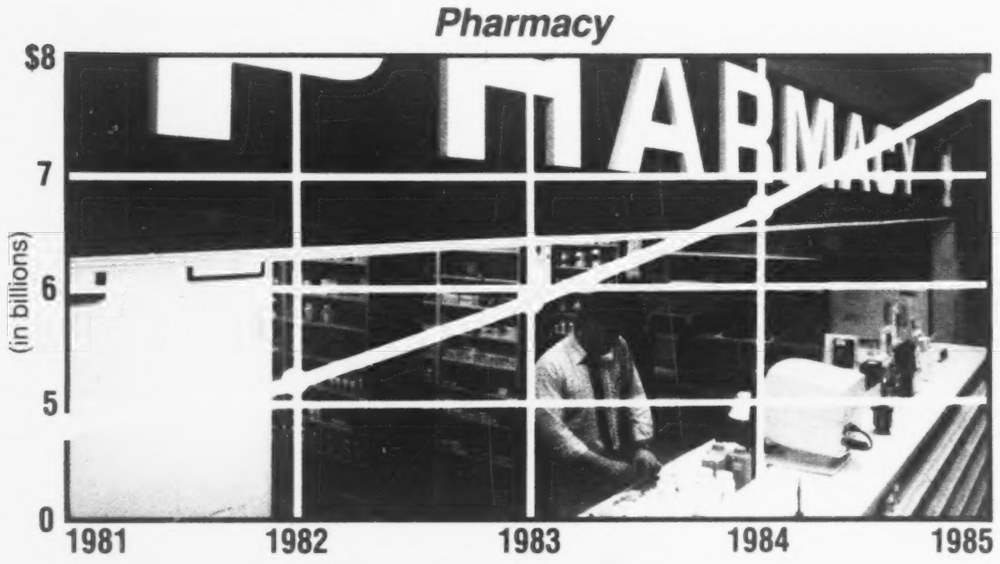
DRUG STORE NEWS®

May 12, 1986

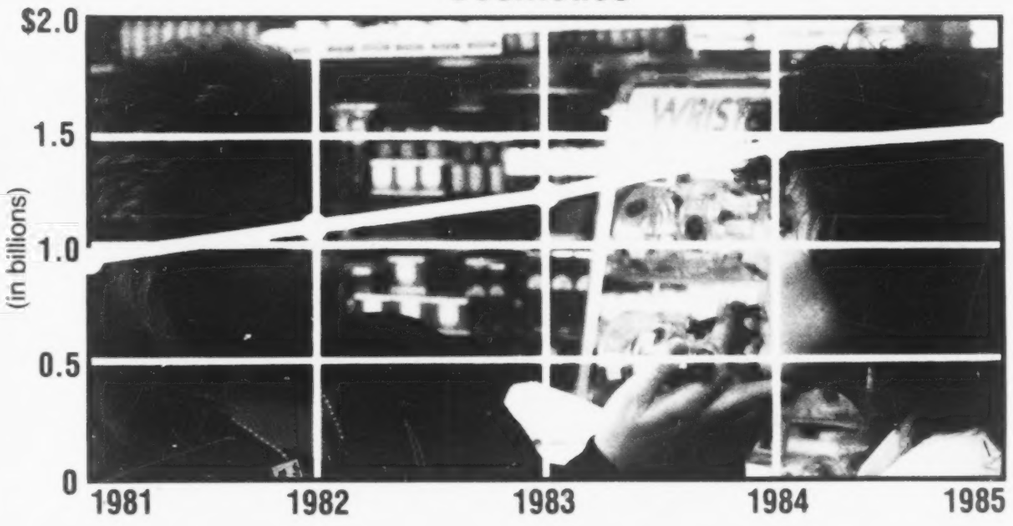
THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PART TWO

Pharmacy

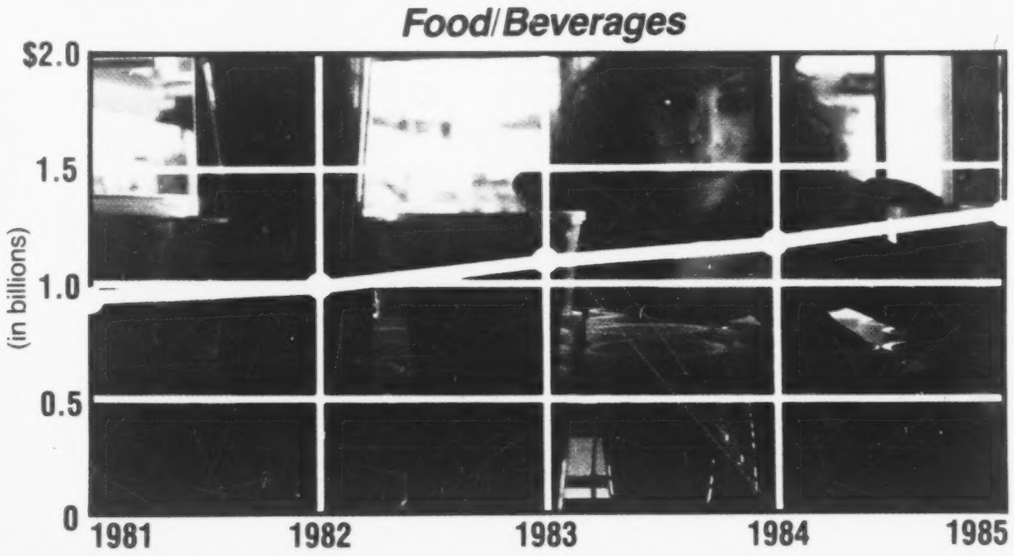


Cosmetics

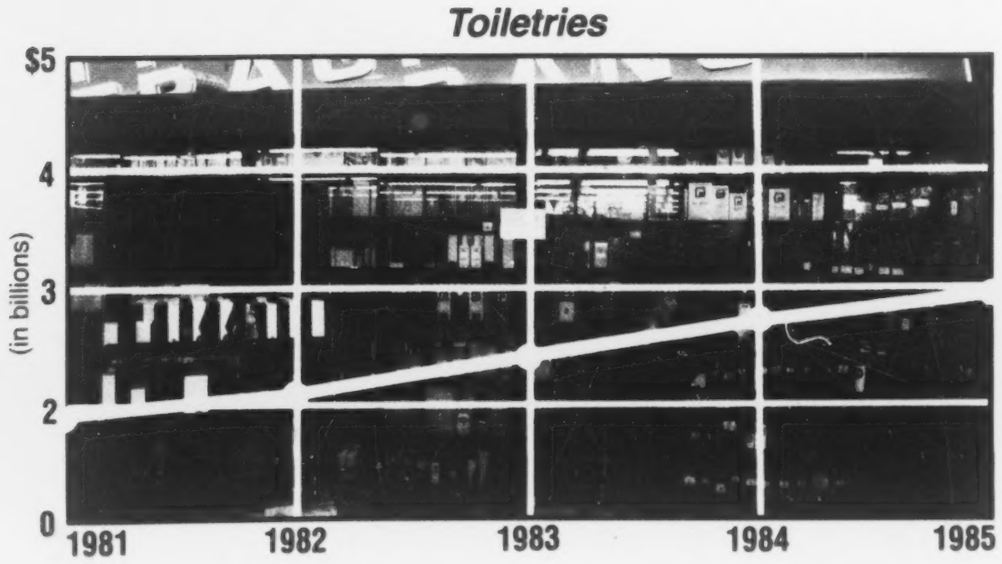


Drugs/Proprietaries

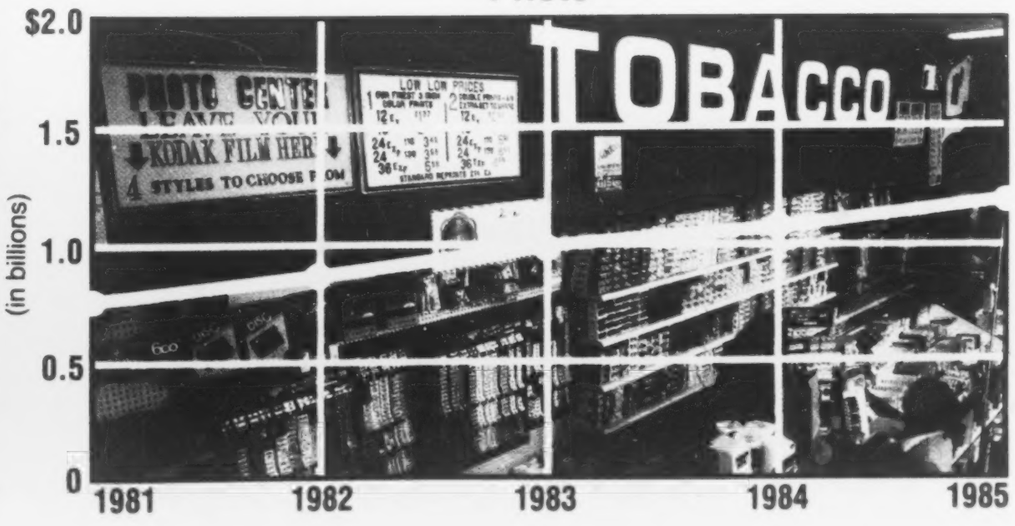
Food/Beverages



Toiletries



Photo



Source: *Drug Store News* survey

Technology Today:
Monitor routine price changes in computer file—p. 94

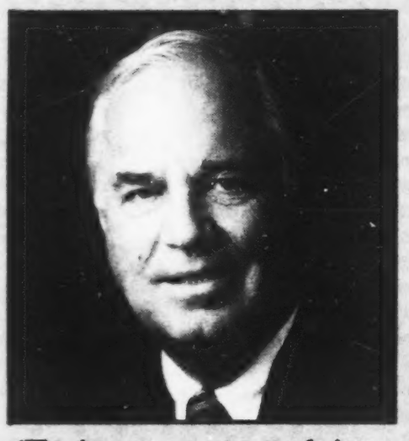
C.E. Lesson:
Sunburn prevention—p. 125 ACPE

Seminar:
Panel discusses computer accessories—p. 109

DRUG STORE NEWS

Vol. 8/No. 11 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. May 12, 1986

NACDS leaders look to the future



'Today a successful drug store needs to be tailored to the customers in each individual market.'

—Robert Bolger
president, NACDS

'NACDS stays ever alert to legislation and regulation, and we will respond as required . . .'

—Alex Grass
chairman, NACDS

ALEXANDRIA, Va. — Faced with rising real estate and construction costs, "overstored" conditions in some parts of the country and stiffening front-end competition from other retail segments, the nation's "traditional" drug chains are at a crossroads, according to Robert Bolger, National Association of Chain Drug Stores president.

In an exclusive interview

See **Bolger,** *page 146*

SHIREMANSTOWN, Pa. — Alex Grass, the new chairman of the National Association of Chain Drug Stores, said NACDS has two top priorities for the coming year: major reform of Medicaid reimbursement regulations and passage of legislation to control illegal drug diversion.

Besides re-emphasizing these issues, Grass, the 59-year-old chairman and ceo of

See **Grass,** *page 144*

Rite Aid video push puts brake on Rx/POS systems

25% of capital budget to help rentals go chainwide

By Al Heller

SHIREMANSTOWN, Pa. — Rite Aid will direct $20 million-$25 million of its record $90 million capital expenditures budget this year toward equipping an additional 500 stores with video rental departments.

This stress on video will contribute to a temporary slowdown in Rite Aid's schedule to install scanning and pharmacy computers throughout its 1,400 stores in 20 states. That program has so far placed scanning in 243 stores and pharmacy computer systems in 477 stores, executive vp Martin Grass told *Drug Store News*.

He expects to equip 150 more stores with scanning and 100 with pharmacy computers by the end of the fiscal year, next March 31. Installations should pick up next year for two reasons, he added:

- By that time, video will be in 1,000-1,100 stores, with plans to be chainwide by late next year.
- Rite Aid will develop more software to speed the rate of

See **Rite Aid,** *page 144*

Rite Aid capital expenditures

	FY '86	FY '87*
Video rental departments	600	500
New store growth	117	85
Pharmacy computers	357	100
Scanning	243	150
Total spending	$85 million	$90 million

*Projected
Fiscal year ends March

Source: Rite Aid Corp.

Rite Aid expects to operate 1,509 stores by the end of the current fiscal year: Nearly 1,100 will have video rental departments; 577 will have pharmacy computers, including 120 installed during fiscal 1985; 393 will be equipped with scanning.

Key move in top management restructuring

Eisenberg named Peoples' coo

ALEXANDRIA, Va. — David Eisenberg, 49, has been named executive vp and coo at Peoples Drug Stores, as the key move in a top management restructure of the 832-store chain.

Eisenberg likened his role as the first coo ever at Peoples to the working relationship at Walgreens between ceo Charles "Corky" Walgreen III and coo Fred Canning.

"We're going to be a $2 billion company. Bud [chairman Sheldon Fantle] doesn't want to do it alone anymore. He's setting up a structure that'll carry us into the next century," Eisenberg said.

Peoples' growth has enabled it to close in on Fantle's 3-2-1 plan: a 3% net-to-sales ratio, $2 billion sales and 1,000 stores.

The drug chain's parent, Imasco, has assured management that its $1.7 billion takeover of financial services firm Genstar won't affect the level of corporate resources available to retail drug operations.

David Eisenberg

While downplaying his role "as a buffer between Bud and the company," Eisenberg said his immediate goals would be to:

- Complete chainwide instal-

See **Peoples,** *page 144*

NWDA president William Ford dies

William L. Ford

ALEXANDRIA, Va. — William L. Ford, National Wholesale Druggists' Association president, died earlier this month after collapsing during a walk through his suburban Washington, D.C., neighborhood with his wife, Betty.

Ford "could not be saved despite a quick response from the rescue squad," an NWDA spokesman said.

Ford's death occurred just eight months before his scheduled retirement from NWDA, an organization he headed for nearly two decades.

At memorial services in Washington, Ford was eulogized as a "strong person" with a "dry and delicious wit" who was always "sensitive to others' needs."

C. Joseph Stetler, former Pharmaceutical Manufacturers Association president, said Ford was "universally regarded as a strong leader, a

See **Ford,** *page 144*

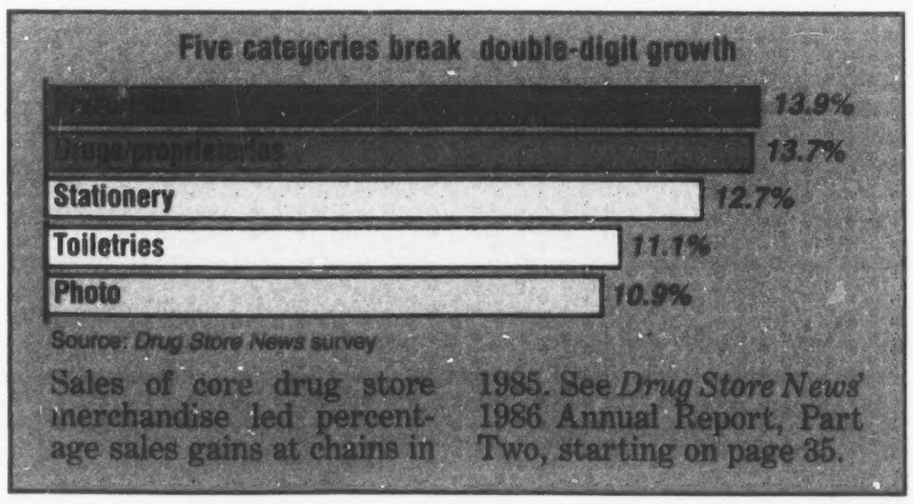
Revco calls revived charges 'scurrilous'

TWINSBURG, Ohio — Revco said a lawsuit by the former owners of Odd Lot Trading Co. makes charges that are "scurrilous and virtually old hat."

The suit by Bernard Marden and Isaac Perlmutter alleges that Revco officers engaged in schemes to defraud stockholders and waste assets.

The allegations resurrect charges, including a claim of improper purchasing activities, that have already been rebutted by a special committee set up last year to investigate similar claims by the two men, said

See **Revco,** *page 146*



Sales of core drug store merchandise led percentage sales gains at chains in 1985. See *Drug Store News'* 1986 Annual Report, Part Two, starting on page 35.

Rite Aid, Gray, 7-Eleven pull men's mags

Join Peoples, Dart, Eckerd in bow to consumer outcry

NEW YORK — Rite Aid, Gray Drug Fair and 7-Eleven are the latest major chains to withdraw men's magazines from their shelves, joining Peoples, Dart and Eckerd, who made similar moves.

Three of the top 10 drug chains now no longer sell such large-circulation titles as *Playboy* and *Penthouse*, which together are estimated to account for 5% of single-copy newsstand sales of magazines distributed by wholesalers.

Dick Conway, vp-national sales at ARA Services, the nation's largest magazine distributor, who provided the estimate, also noted a gradual retailer pullback of sexually oriented publications over the past few years. Rite Aid, for example, reduced titles in 1984, and 7-Eleven was selling only *Playboy, Penthouse* and *Forum* when it decided to abandon men's magazines entirely this spring.

Penthouse publisher Bob Guccione alleged at a recent press conference that interference by the Attorney General's Commission on Pornography led to the recent rash of retailer decisions to pull back from selling *Playboy* and *Penthouse*, "which are First Amendment-protected."

Retailers contacted by *Drug Store News* said they didn't consider the magazines to be pornographic. They cited changing consumer tastes and sales downtrends for their pullbacks.

They also denied that any government pressure played a part in their decisions. Some admitted receiving a letter from the commission that asked for a response to testimony alleging their involvement "in the sale or distribution of pornography."

The testimony cited Peoples, Dart, Rite Aid, Revco, Thrifty and K mart.

Harvard Law professor Alan Dershowitz, a Constitutional rights expert, said these retailers "lost their freedom of choice."

Justice Department sources said, however, "We gave them a chance to respond because we didn't want retailers to get a black eye."

Rite Aid executive vp Martin Grass said, "We didn't feel the government was impinging on our freedom of choice. We heard enough concern by enough customers. We wouldn't sell Ivory soap if enough customers said not to."

Grass noted men's magazine sales had trended downward "in the high single digits" the past few months, as overall magazine sales climbed "in the high single digits."

Dart Drug chairman Stephen Hansbrough, who followed Peoples' lead in the Greater Washington, D.C., market to drop men's magazines this year, said, "Individual letters from patrons were the most compelling reason for our decision. The magazines conflicted with our image. Group letter campaigns from churches and congregations accounted for about 25% of the letters we got on this issue."

Similarly, David Eisenberg, Peoples executive vp and coo, said his chain made the final drop Feb. 20 because they perceived "a fabric change in society toward more morality. We took shopper surveys."

He detailed how Peoples dropped *Hustler* and harder-core titles a year ago and kept *Playboy, Penthouse, Forum* and seven other men's magazines covered by binders behind counters since then.

"I don't know that we'll be able to replace those sales," said Eisenberg, who estimated the high-priced publications accounted for 15%-18% of the chain's total magazine business.

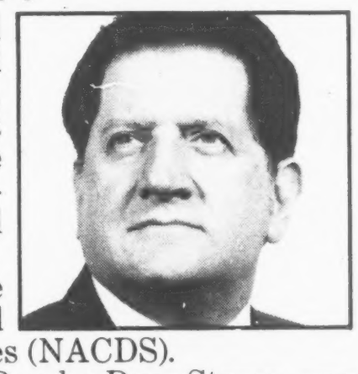
NEWS IN BRIEF

Bi-Mart plans expansion

EUGENE, Ore. — Bi-Mart, part of the Trump Group's Northern Pacific Corp., will open three stores in 1986 (all in Oregon) and five in 1987 (three in Washington, two in Oregon). Currently, Bi-Mart operates 28 stores in Oregon and five in Washington.

Bi-Mart is a discount drug membership operation that leans heavily to drugs and housewares. It differs from most drug chains in that it pushes higher ticket housewares (such as microwave ovens and vacuum cleaners) to $300-$400. A lifetime membership costs a customer $2.

Chain pharmacist tapped for ACPE



WASHINGTON — Leonard J. DeMino, vp of professional services, Peoples Drug Stores, has become the first pharmacist from a chain drug company to be selected to serve on the American Council of Pharmaceutical Education (ACPE).

DeMino was nominated for the four-year term by the National Association of Chain Drug Stores (NACDS).

DeMino, a 30-year veteran of Peoples Drug Stores, was also the first chain drug store industry member to be appointed to the Maryland State Board of Pharmacy, a position he has held for the past 10 years.

ACPE, formed in 1932, establishes standards for pharmaceutical education.

Drug wholesaler quits Manhattan

ELMSFORD, N.Y. — Commons Bros. Inc., the last major drug wholesaler in Manhattan, completed the consolidation of its business in a new 75,000-sq.-ft. distribution center located in this town some 30 miles north of the Big Apple.

Commons, which has served the New York metro market for 88 years, relocated both its Manhattan operation and County Drug Division, Bronx, N.Y., to the new location.

The move was made to achieve operational efficiencies not possible in the outmoded five-story Manhattan warehouse. Commons does an estimated $80 million a year in business.

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Vol. 8, No. 11 May 12, 1986

Bergen to buy Southwestern, beefing up Texas distribution

ORANGE, Calif. — Bergen Brunswig Corp. will strengthen its Texas drug distribution business considerably with the acquisition of Southwestern Drug Corp., announced late last month.

In buying all of Southwestern's assets for an undisclosed sum, the nation's second largest wholesaler will gain some 2,000 accounts, $150 million in sales and distribution centers in Dallas, Houston and San Antonio.

Customers of the full-line, full-service Texas business should ultimately benefit from lower prices when Bergen Brunswig passes on savings it gains from distribution efficiencies on large volume sales, BBC officers said. "The net effect to the retailer should be positive," said Jack Fay, vp-corporate affairs.

The national wholesaler will pick up an undetermined number of new customers and a larger share of business from customers it jointly supplies with Southwestern. The buy will add momentum to recent strengthening of its southern operations, which has also included expansion in Baton Rouge, La.

Southwestern Drug's territory includes Texas, southern Oklahoma, western Louisiana and western New Mexico. Bergen Brunswig—with drug company sales of $2 billion in fiscal 1986—operates in 39 states.

Bergen spokesmen said that Southwestern's operations and management will proceed intact as corporate assimilation unfolds.

Sources in both firms said they expect Southwestern's programs, including its private-label line and Super Star advertising and promotion program for retailers, to continue. Planning has continued on its June "Profit Market" product show in San Antonio, a fact that Southwestern sources cited to illustrate that it has been business as usual. "Bergen Brunswig's a fine company, and they made a good impression on our people here," said one Southwestern officer.

"We welcome this opportunity to extend our service in Texas. Southwestern Drug is a well-managed firm with a long history of accomplishment," said BBC chairman and ceo Emil P. Martini Jr.

Bogus drug labels spur House action

WASHINGTON — An alleged conspiracy to divert more than a half million dollars' worth of counterfeit-labeled Lederle drugs into the U.S. market has triggered increased Congressional pressure for new federal curbs on drug diverters.

The alleged scam, which involved the fraudulent purchase and diversion of Lederle Pipracil (piperacillin) destined for Central America, was disclosed by House Investigations Subcommittee chairman John Dingell (D-Mich.) at a meeting with leaders of the National Association of Retail Druggists late last month.

Citing the piperacillin incident as the latest in a rash of recent pharmaceutical diversion episodes, Dingell told NARD that his panel will soon advance a series of legislative proposals to combat such schemes.

Privately, however, staffers on Dingell's panel who have been investigating incidents of drug diversion and counterfeiting for more than two years told *Drug Store News* that the subcommittee is also concerned about the Food and Drug Administration's apparent inability to deal promptly with incidents such as that of piperacillin.

Although Lederle officials discovered the scheme late last year after more than 50,000 vials of the antibiotic/penicillin product had been diverted from Honduras by a drug wholesaler in Florida, FDA did not announce a recall of the fraudulently labeled products until last month.

According to a Lederle spokesman, the company caught wind of the scheme in late 1985 and discharged two of its own Central American pharmaceutical sales execs for participating in the alleged diversion conspiracy.

Court papers filed by the manufacturer in an effort to recover treble damages from the accused conspirators charged that the diversion plot was hatched by execs at Military Exchange BO Inc.—a Miami Beach-based wholesaler.

According to Lederle attorneys, Military Exchange president Julio Klepach reached an agreement with the manufacturer's Central American sales manager to fraudulently purchase quantities of piperacillin under the name of a Honduran company at the firm's "reduced export price, which was approximately 50% less than the price that United States wholesale companies purchase such merchandise."

Lederle said the conspirators printed "counterfeit labels and direction inserts in English, which contained false information regarding lot and control numbers."

FINANCIAL

Rite Aid's Rx sales boost earnings

SHIREMANSTOWN, Pa. — Recovering from a down third period, Rite Aid posted an earnings gain in the fourth quarter ended March 1, spurred by growing prescription and private-label sales.

Fourth-quarter net income increased 5% to $24.9 million, or 61¢ a share, from $23.8 million, or 58¢ a share, in the year-earlier period. Sales increased to $428.9 million from $375.4 million.

Net income grew in the fourth quarter in the face of a slide in equity earnings from Super Drug PLC, the British health & beauty aids company in which Rite Aid has a 28.2% interest, and from Super Rite Foods, the grocery company owned 46.8% by Rite Aid.

Super Drug contributed equity earnings of $765,000 for the quarter, compared with $775,000 in last year's comparable period.

Super Rite Foods continued to provide depressed profits as a result of problems with computer software at a new distribution center that had crimped third-quarter results. Fourth-quarter equity earnings from the investment were down 61.6% to $251,000.

For the year ended March 1, total corporate revenues climbed to a record $1.56 billion, 15% above 1985's $1.36 billion. Net earnings, reflecting charges incurred from the sale of the Circus World toy chain and the closing of the Heaven contemporary variety store units, declined to $62.5 million, or $1.52 a share, from $69.9 million, or $1.69 a share, in the previous year.

The chain's ADAP auto parts stores provided a breakeven performance, with sales of $49.9 million. Encore book stores posted sales of $17.9 million.

Super Drug's equity earnings for the full year were up 2%, to $2.5 million, while Super Rite Foods lagged behind 1985, with an equity contribution of $1.4 million, compared with $2.2 million.

Chairman Alex Grass recently noted that strong same-store sales, including a January increase of 10.7%, were fueled by growing prescription revenues, strong video rentals, and a solidly performing promotional program. The program features deep discount pricing on about 100 H&BA items and household products.

Prescription and private-label sales as a per cent of total sales continued to increase, growing from 40% five years ago to 49% this year.

Prescription sales continued to strengthen, accounting for 35.6% of drug store revenue, compared with 33.4% in the previous 12 months.

Grass said that same-store sales growth was impressive.

In January, Rite Aid hiked its quarterly dividend 16%, to 58¢ per share on an annualized basis, the 15th increase in the last 14 years.

Gray income: No improvement

CLEVELAND — Sherwin-Williams reported that its Gray Drug Fair division showed no improvement in net income for the first quarter ended March 31.

The company cited "lower gross margins and weak general merchandise sales."

John G. Breen, chairman, president and ceo, said he expected that "continued emphasis in the drug stores segment on inventory management, loss prevention and operating efficiencies will result in improved segment profit performance for the full year."

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 04/04/86 - 04/21/86							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Indicated Dvd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)	
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct				Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	62.00	57.63	61.50	3.00	5.13	68.25	48.63	-.12	-.01	-3.96	9.82	4.11	-1.60 F	-28.0	30.0	1.1	15.0	.84	1.4	03-24-86	13889.5	154.5	1.2	37.93	21.40
Begley Co	BGLY	22.00	21.50	21.50	-.25	-1.15	23.50	15.50	-.14	-.65	-5.31	31.58	1.26	.50 N	42.7	10.0	1.1	12.9	.72	3.3	04-15-86	66.1	.7	1.7	13.77	18.84
Big B	BIGB	15.13	13.88	15.13	.25	1.68	19.50	12.63	.17	1.27	-3.22	23.80	.61	-.07 F	-10.3	21.0	2.3	24.8	.00	.0	09-21-83	175.4	4.0	2.3	1.20	4.58
Drug Sys	DRGS	5.50	4.75	5.00	-.13	-2.44	6.13	3.75	.07	1.10	.69	22.57	.35	-.97 N	-100.0	NC	1.2	NE	.50	10.0	01-06-86	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	32.88	32.00	32.75	.63	1.95	32.88	20.00	.01	-.15	2.40	-3.88	-.22	-3.13 S	-100.0	NC	-.3	NE	1.04	3.2	03-03-86	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	10.75	9.75	10.25	.13	1.23	11.75	8.00	-.39	-.28	-3.09	4.50	.20	-.42 F	-67.7	21.0	.6	51.3	.20	2.0	03-21-86	445.1	2.8	1.8	1.65	4.28
Genovese Drug	GDX	13.75	12.50	13.50	.13	.93	14.38	9.13	-.33	1.27	-2.51	-9.35	.73	-.30 F	-29.1	39.0	1.2	18.5	.20	1.5	04-08-85	233.2	2.9	1.7	2.06	5.73
Longs Drg Strs	LDG	35.38	30.50	34.75	4.25	13.93	35.38	24.75	.63	-.06	-2.25	-3.38	1.74	-.14 F	-7.4	8.0	2.5	20.0	.72	2.1	02-26-86	1480.8	37.7	2.1	.00	12.23
Medicare Glaser	MGCO	4.50	3.75	4.25	-.25	-5.56	5.25	3.75	.22	-1.76	2.55	2.53	.35	-.49 N	-100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Medicine Shoppe	MSII	24.88	24.38	24.88	.38	1.53	26.00	21.00	-.20	-.29	-1.98	-34.76	.84	.16 Q	22.5	49.0	22.4	28.6	.00	.0	00-00-00	13.4	3.0	9.2	.00	5.08
Perry Drug	PDS	18.25	15.25	18.25	2.75	17.74	18.75	11.19	.02	1.62	-2.47	35.37	.98	.18 Q	22.2	16.0	1.8	18.4	.22	1.2	02-20-86	521.6	9.6	2.0	9.77	7.79
Revco Drug	RDS	37.88	33.50	37.50	3.50	10.29	37.88	23.13	.26	.17	-1.35	13.77	1.06	-1.01 N	-51.3	-6.0	1.6	39.1	.80	2.1	02-19-86	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	32.25	27.75	31.25	2.75	9.65	32.25	21.50	-.27	1.66	-.38	-22.93	1.52	-.17 F	-10.1	8.0	4.0	20.6	.58	1.9	04-14-86	1564.1	62.5	1.9	2.02	8.58
Thrifty Cp	TFD	28.63	26.75	27.50	-1.25	-4.35	29.88	18.13	-.08	-.28	-3.58	.52	1.60	.13 S	8.6	16.0	2.3	16.7	.64	2.3	02-04-86	1404.9	31.9	1.7	5.86	6.85
Walgreen Co	WAG	35.50	30.00	35.25	2.88	8.88	35.50	22.50	.03	.01	-2.30	-2.01	1.53	.14 S	9.4	19.0	3.0	21.6	.50	1.4	05-15-86	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																										
Bergen Bruns	BBCA	34.13	32.00	32.13	-2.00	-5.86	37.25	24.41	-.53	-1.42	-.46	21.18	1.82	.06 S	3.6	13.0	1.0	18.5	.32	1.0	01-28-86	2434.9	24.2	1.7	11.12	12.07
Bindley Wstn	BIND	11.13	10.75	10.75	-.38	-3.37	15.00	7.75	-.45	-.87	-7.45	-11.04	.79	.06 F	8.2	23.0	.8	13.6	.00	.0	05-01-85	626.9	5.2	1.4	.08	5.46
Cardinal Distrb	CDIC	24.75	24.25	24.50	.00	.00	25.25	14.22	.21	-.44	1.33	36.03	.92	.42 N	46.7	NC	1.2	18.6	.08	.3	03-25-86	320.0	3.7	1.7	.85	8.04
Durr Fillauer	DUFM	14.50	13.88	13.88	-.63	-4.31	15.25	9.25	-.26	-1.51	-1.21	5.93	.78	.04 F	5.4	13.0	1.4	17.8	.15	1.1	02-24-86	427.1	6.1	2.7	5.30	6.69
Ketchum	KCH	20.38	19.00	20.25	.88	4.52	23.25	14.19	-.44	-.65	.31	14.58	.56	-.01 N	-2.2	NC	.2	46.0	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	58.13	54.50	58.00	1.25	2.20	61.25	42.00	-.02	.28	-1.96	-49.14	3.60	.38 N	10.9	-1.0	1.3	14.9	2.40	4.1	02-25-86	4887.1	65.0	1.5	12.99	30.40
Moore Med	MMD	22.50	19.63	20.25	-2.13	-9.50	24.25	12.31	-.45	-2.79	-2.04	48.79	1.45	.43 F	42.2	17.0	2.5	14.0	.00	.0	05-23-85	147.9	3.7	3.3	2.45	5.25
Owens & Minor	OBOD	18.75	17.63	17.88	-1.25	-6.54	20.25	12.19	-.42	-.22	-1.48	10.58	1.14	.19 F	20.0	18.0	1.2	15.7	.28	1.6	12-10-85	367.3	4.4	2.6	7.15	9.34
Manufacturer's transactions																										
Abbott Labs	ABT	91.88	79.50	90.63	7.88	9.52	91.88	49.50	.46	.44	-.65	-1.29	3.88	.61 Q	17.6	17.0	13.8	22.3	1.68	1.9	04-09-86	3360.3	465.3	2.1	3.70	15.64
Am Home Prod	AHP	88.38	74.13	88.25	14.25	19.26	88.38	54.75	.31	.03	2.35	-2.81	4.70	.31 F	7.1	11.0	15.3	18.8	3.10	3.5	02-07-86	4684.7	717.1	3.4	.00	15.19
Baxter Travenol	BAX	19.75	18.25	19.50	1.25	6.85	19.75	12.38	-.02	-.06	-2.10	-7.36	.85	.64 F	304.8	-14.0	5.8	22.9	.40	2.1	03-11-86	2355.0	137.0	1.9	12.21	9.86
Block Drugs Co	BLOCA	23.25	22.25	22.63	-.13	-.55	26.25	14.81	-.56	-.53	-3.30	-36.41	1.70	.22 N	13.6	12.0	10.5	12.3	.50	2.2	02-25-86	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	24.88	19.50	24.63	3.88	18.67	24.88	12.00	.19	2.89	2.16	31.12	.71	.10 F	16.4	22.0	17.7	34.7	.05	.2	02-24-86	38.4	6.8	7.5	.00	3.70
Bristol-Myers	BMY	80.75	70.00	80.75	10.13	14.34	80.75	53.63	.08	1.13	-3.03	-1.16	3.86	.41 F	11.9	14.0	12.0	20.9	2.20	2.7	03-31-86	4444.0	531.4	2.5	.83	17.75
Carter-Wallace	CAR	61.75	58.13	61.75	2.13	3.56	62.00	32.00	-.17	-.07	-1.75	27.79	2.66	.86 N	32.8	21.0	5.9	17.7	.60	1.0	04-14-86	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	38.75	35.13	38.50	2.25	6.21	39.38	17.63	.34	-.65	-3.78	-5.53	.73	.40 N	70.2	16.0	17.4	39.7	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	13.13	11.38	12.75	-.25	-1.92	15.63	8.50	-.55	.37	5.07	1.11	-2.10	-2.11 Q	-100.0	NC	-29.1	NE	.00	.0	00-00-00	62.8	-18.3	2.7	5.08	3.00
Key Pharm	KPH	18.88	16.13	18.63	1.75	10.37	18.88	7.13	.25	1.17	-6.15	11.79	-.02	-.63 F	-100.0	NC	-.5	NE	.00	.0	09-09-85	152.1	-.8	3.4	2.52	1.60
Lilly Eli Co	LLY	74.50	68.38	73.75	4.13	5.92	76.25	37.50	.55	.29	-1.24	-8.88	3.69	.31 F	9.2	11.0	15.8	20.0	1.80	2.4	02-07-86	3270.6	517.6	1.9	1.71	17.12
Lee Pharm	LPH	18.13	15.88	17.50	1.63	10.24	18.75	4.63	-.11	-.21	-4.32	-19.16	.40	.17 Q	70.8	NC	6.6	42.7	.00	.0	00-00-00	12.2	.8	3.1	.00	2.49
Leiner P Nutri	PLIN	15.00	14.25	14.25	-.38	-2.56	15.00	8.25	.36	-.99	-.70	-37.14	.78	-.10 N	-12.5	NC	4.1	20.4	.00	.0	00-00-00	53.6	2.2	2.5	.00	4.90
Marion Labs	MKC	67.25	56.50	66.50	6.75	11.30	67.25	31.25	-.01	.98	-.08	8.63	.94	.42 S	55.3	38.0	12.2	56.4	.36	.5	03-14-86	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	183.00	161.00	180.50	16.00	9.73	183.00	98.25	.32	.29	1.58	8.75	7.58	1.15 Q	16.8	7.0	15.2	22.6	3.60	2.0	02-27-86	3547.5	539.9	1.9	2.43	37.54
Morton Thiokol	MTI	37.13	33.25	35.63	.75	2.15	40.50	29.63	-.23	-.39	-.94	-9.93	2.50	-2.66 N	-67.9	13.0	6.7	28.3	.70	2.0	02-14-86	1832.3	122.8	1.8	3.25	15.00
Newport Pharm	NWPH	8.50	6.25	7.38	.38	5.36	14.50	6.25	-.55	-.11	3.94	-27.50	.05	-.08 N	-100.0	NC	6.7	NE	.80	10.8	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	16.50	14.75	14.75	-1.25	-7.81	23.25	14.25	-.35	-2.69	.04	26.21	.47	.00 Q	.0	76.0	14.1	30.7	.00	.0	00-00-00	21.3	3.0	2.2	.92	2.33
Pfizer Inc	PFE	64.25	55.38	63.88	7.63	13.56	64.25	43.50	.19	.90	-1.63	.87	3.44	.36 F	11.7	16.0	14.4	18.6	1.64	2.6	01-27-86	4024.5	579.7	2.2	1.97	17.87
Reid Prov Labs	REID	10.88	10.50	10.50	-.50	-4.55	11.00	4.00	-.18	-.29	-9.37	69.80	.13	.06 S	46.2	28.0	6.0	55.3	.04	.4	12-06-85	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	13.75	12.88	13.38	.38	2.88	20.38	5.50	-.50	-1.01	3.54	81.13	2.53	20.97 F	NE	NC	8.7	5.3	.00	.0	11-19-84	706.1	61.4	1.7	.47	-5.23
Rorer Group	ROR	39.63	36.75	38.75	-.13	-.32	47.00	28.63	-.01	-.03	-2.90	17.50	1.72	-.36 F	-17.3	2.0	10.9	22.5	1.12	2.9	02-04-86	338.1	36.8	1.5	1.72	12.29
Scherer RP Co	SCHC	14.25	12.38	13.13	.63	5.00	16.50	10.13	.44	-1.10	-1.60	3.00	-.43	-.96 N	NE	NC	-2.0	NE	.32	2.4	03-07-86	167.4	-3.4	1.7	4.07	9.72
Schering Plough	SGP	72.88	64.50	72.75	6.38	9.60	72.88	42.25	.24	1.16	.60	16.70	3.77	.27 F	7.7	-2.0	10.0	19.3	1.80	2.5	02-03-86	1927.1	192.6	1.6	4.04	28.59
Squibb Corp	SQB	104.25	91.75	104.25	11.25	12.10	104.25	55.50	.11	.73	.78	17.37	4.20	.52 F	14.1	25.0	11.1	24.8	1.76	1.7	02-14-86	2041.7	226.6	2.3	3.74	24.87
Sterling Drug	STY	47.00	42.50	46.63	3.75	8.75	47.00	29.50	.00	1.09	.33	21.23	1.83	-.54 F	-22.8	-1.0	6.3	25.5	1.32	2.8	05-02-86	1753.7	109.7	2.2	1.47	15.75
Syntex Corp	SYN	58.88	50.63	58.25	6.75	13.11	58.88	27.69	-.11	.07	1.77	-18.32	2.33	.79 S	39.3	14.0	15.8	20.8	1.20	2.1	12-16-85	948.5	150.0	2.1	2.68	9.40
Thompson Med	TM	17.25	15.13	17.25	1.75	11.29	17.25	11.75	.14	1.85	4.13	38.19	1.18	-.75 Q	-39.5	8.0	8.1	15.0	.40	2.3	03-24-86	136.8	11.1	5.5	.00	7.43
Upjohn Co	UPJ	167.63	153.00	167.50	9.88	6.26	168.75	83.00	.07	.33	.51	-29.42	6.58	1.70 Q	32.6	3.0	10.1	24.2	3.04	1.8	04-01-86	2017.2	203.0	2.1	12.17	41.76
Warner-Lambrt	WLA	57.38	50.75	56.75	4.25	8.10	57.88	33.75	.06	.12	1.68	-21.65	4.05	-6.86 F	-100.0	NC	-9.9	NE	1.56	2.7	02-03-86	3200.1	-315.6	1.4	4.47	11.12

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes: NA - Not Applicable; NC - Not Calculable; NE - Negative Earnings; NM - No Meaningful Figure; Q - First Quarter; S - First 6 Months; N - First 9 Months; F - Fiscal Year

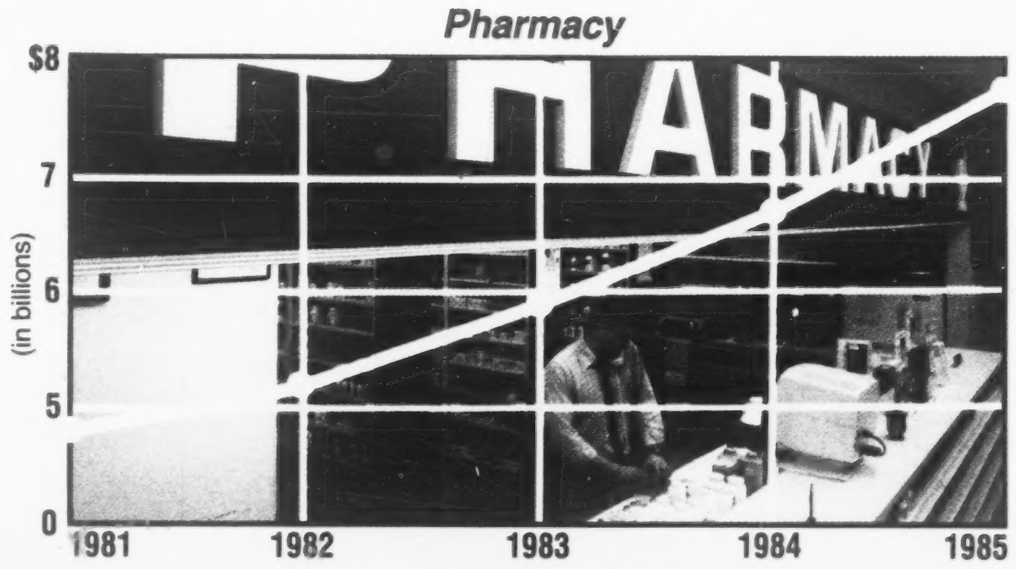
Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

DRUG STORE NEWS®

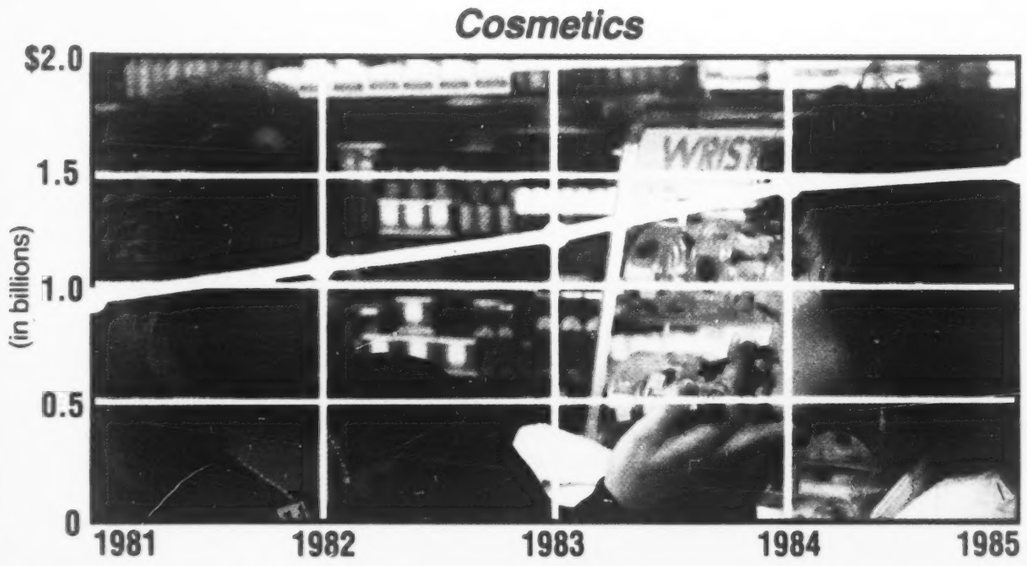
THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PART TWO

Pharmacy

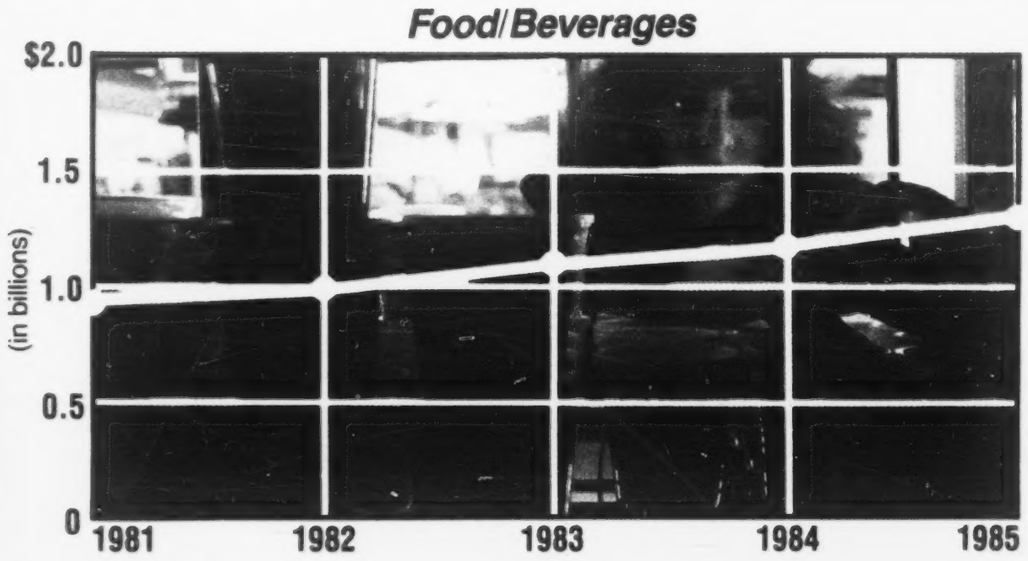


Cosmetics



Drugs/Proprietaries

Food/Beverages



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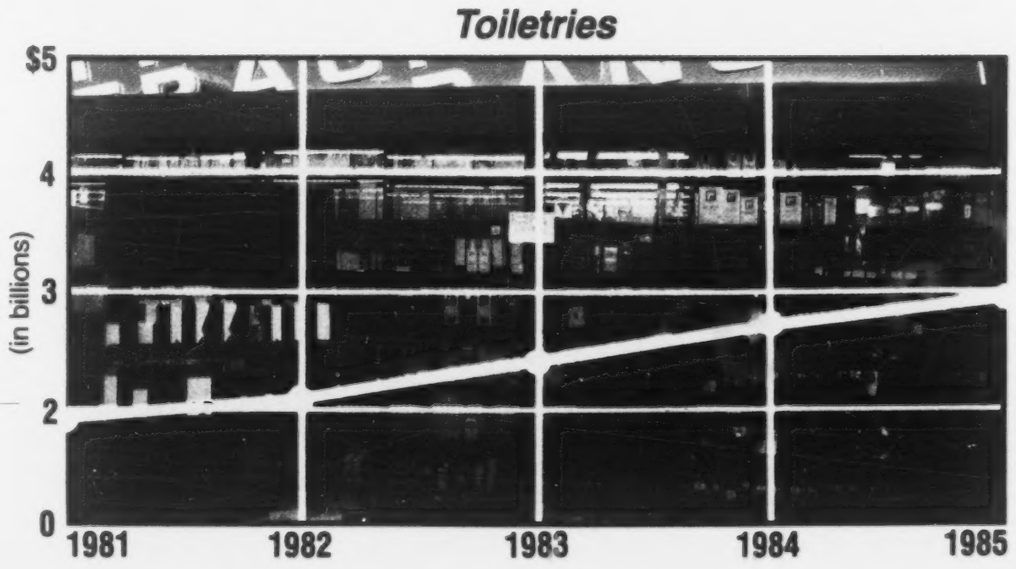

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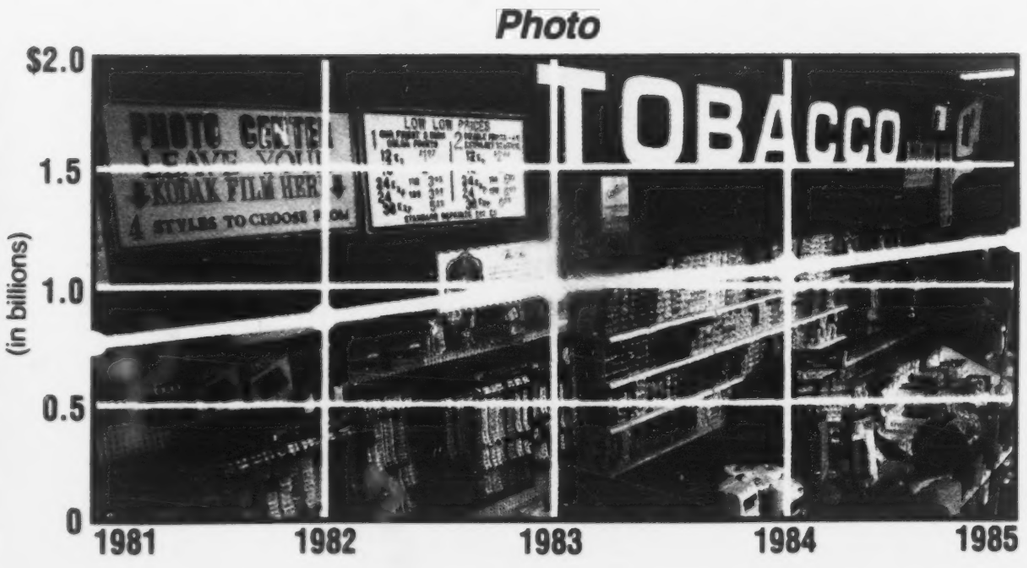


Source: *Drug Store News* survey

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Scripts, OTC lead drug chain growth in '85

Industry re-emphasizes Rx roots to keep distinctive niche

What's made consumers happy in 1985, and is continuing into 1986, hasn't exactly been a cocktail party for drug chains across America.

Reduced inflation and lower interest rates have pressured margins more than in recent memory, as drug chains try to fend off deep discounters, supermarkets, warehouse clubs and discount department stores.

Many chains have at last recognized in the past year that price isn't the only way to compete. "We'd all go broke if that were so," said Irving Bain, executive vp-retail development at Shoppers Drug Mart.

They've also discovered that general merchandise ventures in drug stores' space-tight environments leave them with relatively slim assortments and few fashion goods, fewer opportunities to cross-merchandise, and less leverage than larger-scale outlets when it comes to buying at quantity discounts.

'If drug chains lose their [Rx] franchise, they lose their foothold in any kind of retailing.'

—Ira Shain
president,
Associated Drug Stores

On top of that, general merchandise sales been soft nationwide. Consumers have bought cars, homes and vacations in the current environment, leaving more routine merchandise purchases for later.

What's a drug chain to do? Take two aspirin and call Reagan in the morning?

More than that. Drug chains have become more animated in their push of pharmacy, health & beauty aids and over-the-counter medications. That makes them distinctive in the marketplace.

Efforts include pharmacy department renovations, to include consultation windows; new, warmer, funnier and more involved-with-customer positioning in print and television ads; and continued installation of pharmacy computer systems. Thrifty, Fay's and Page have taken such new positions in their ads.

Moreover, Eckerd started to test generic drugs it sells so their quality wouldn't be questioned. Gray Drug Fair is remodeling stores to give pharmacy more visibiiity in a new format.

K&B and Adams are among chains continuing to install pharmacy computer systems. And those who've succeeded with such systems, like Fay's advertise how it helps their pharmacists help customers.

In addition, chains are encouraging customers to seek pharmacist advice about OTC medications. Pharmacists are also the key in-store consultant on home health care diagnostic aids.

Service appears to be the way chains aim to keep customers most comfortable buying prescriptions and related needs in drug stores.

"If drug chains lose that franchise, they lose their foothold in any kind of retailing," said Ira Shain, Associated Drug Stores president. "If drug chains don't emphasize anything else in 1986, it'll be these categories [Rx, H&BA and OTC] where they're still the dominant retailers.

"By going back to what made them important in the first place, it'll be easier to increase sales. It's incredible to see how little impact drug stores have in some other merchandise categories, where growth is harder to get," Shain added.

Shain speaks from a large chain point of view, but would probably have few detractors industrywide on this point.

Back to Rx basics

To Jeff Atkinson, vp-marketing at 600-store Medicine Shoppe International, the move back to Rx basics couldn't make better sense. "Drug stores have become more and more compartmentalized with nondrug departments. These glorified variety stores are getting kicked to death by mass merchants who buy and sell general merchandise more effectively.

"Drug stores have muddied their image by diversifying," Atkinson added.

Genovese vp-marketing Don Gross agreed: "We can't wander from our roots. We can support other items only after we're stronger where we should be strong."

Genovese in the past year has been a microcosm of chain efforts to remain profitable in the face of outside competitive pressures. It defined a promotional pricing program around high-identity H&BA sku's, added to its

Continued on page 39

Department	Total chain drug $ volume	% of increase	% of total sales	Gross margins	Avg. no. of turns
Prescriptions	$7,668,588,000	13.9%	27.2	35%-40%	6.5
Drug/proprietaries	4,086,749,000	13.7	14.5	30%-35%	5.0
Toiletries	3,047,289,000	11.1	10.8	25%-30%	5.0
Cosmetics	1,481,076,000	9.6	5.3	35%-40%	2.2
Stationery	1,352,026,000	12.7	4.8	40%-45%	4.5
Tobacco	2,127,362,000	7.5	7.5	15%-20%	15.0
Candy	972,975,000	9.1	3.5	25%-30%	5.5
Housewares	1,902,373,000	4.4	6.7	35%-45%	3.0
Toys	701,280,000	4.4	2.5	35%-40%	4.0
Photo	1,235,429,000	10.9	4.4	20%-25%	9.0
General merchandise	1,189,678,000	5.9	4.2	35%-45%	5.0
DIY	424,501,000	1.0	1.5	35%-45%	3.0
Grocery/liquor	1,280,230,000	5.9	4.5	15%-20%	12.0
Misc./promotional	724,412,000	10.2	2.6	15%-20%	NA

	1976	1977	1978	1979	1980	1981	1982*	1983	1984	1985
Rx	$2,138	$2,470	$3,073	$3,476	$3,983	$4,612	$5,105	$5,927	$6,733	$7,669
OTC proprietaries	1,339	1,531	1,730	1,964	2,235	2,575	2,879	3,201	3,595	4,087
Toiletries	1,083	1,169	1,317	1,484	1,726	2,020	2,271	2,457	2,742	3,047
Cosmetics	448	515	604	708	831	976	1,107	1,205	1,352	1,481
Stationery	484	547	614	689	779	888	987	1,069	1,199	1,352
Tobacco	918	973	1,089	1,219	1,354	1,518	1,702	1,806	1,979	2,127
Candy	440	500	533	568	607	674	753	793	892	973
Housewares	619	706	806	920	1,065	1,238	1,389	1,497	1,606	1,676
Toys	322	335	370	408	464	533	598	632	672	701
Photo	398	448	511	587	680	791	891	1,001	1,114	1,235
General merchandise	516	588	673	771	893	1,035	1,146	1,227	1,337	1,416
DIY	177	191	205	237	275	319	356	396	420	425
Grocery and liquor	405	467	549	645	780	934	1,060	1,123	1,209	1,280
Misc./promotional	345	351	366	382	478	562	579	589	657	724

'Drug stores have become . . . compartmentalized with nondrug departments [and] are getting kicked to death by mass merchants who buy and sell general merchandise more effectively.'

—Jeff Atkinson
vp-marketing,
Medicine Shoppe

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Irving Bain, Shoppers Drug Mart

David Peterson, Perry

Ruben Johnson, Crown Drugs

David Eisenberg, Peoples

Drug chains must stress Rx, OTC, H&BA

Continued from page 36

buying clout and improved in-stock positions by bringing more goods through a new distribution center, and has set plans to test front-end scanning this year to tighten inventory management.

Scanning tested

Peoples similarly sought to trim some fat from its inventory levels, even with its consolidated 500,000-sq.-ft. distribution center in Fredericksburg, Va. It established plans to test scanning in a few stores by the end of 1986, has changed its logo and will probably change in-store signage to more clearly identify merchandise displays and ease the convenience of a shopping visit. The chain will also equip half its pharmacies with terminals by the end of the year.

"When sales gains aren't built in through inflation, margins flatten or fall because everyone's trying to attract the shopper," said Peoples executive vp and coo David Eisenberg. "We look at the three legs—sales, margins and expenses—and know that for the next four to five years, we have to look to cut expenses."

Perry also will introduce scanning in its conventional stores this year, after testing systems in its A. L. Price deep discount units. Vp-corporate merchandising David Peterson conceded that "one of the risks when you diversify is you forget what business you're in in the first place. You can also spend more time and effort to develop a nontraditional department than create growth in traditional drug store lines.

"But there are opportunities, and we are going to use them when they make sense. We have to fill up the store," he added.

Even the eclectic Perry chain, which sells boats and ice fishing gear in some stores, has recently pared back 38% of specialty departments on a store-by-store basis.

But its strategy to sell marine supplies in markets that are light in specialty boat shops illustrates how drug stores might pick their shots in general merchandise.

Crown Drugs in North Carolina has also bolstered itself with "a good reputation for carrying unusual items you wouldn't normally find in a drug store," said vice president Ruben Johnson. "That image keeps people coming back to see what they'll find. We aren't scared to try anything twice."

He's also aware that drug stores must look fresh. "When customers don't see change in your stores, they think you're getting outdated," Johnson said. Crown stores will soon include permanent 16- to 20-ft. automotive sections, stocked primarily with best-selling sku's in each car care category, because there are few automotive discounters in Crown markets.

A majority of leading merchants might agree that Perry's and Crown's brand of retailing isn't for everybody. But innovativeness is a viable weapon against deep discounters and combos.

Deep discounters are vulnerable because they don't carry much general merchandise; combos can be had because drug store lines are still a secondary emphasis.

> **'Direct importing will be on a one-order-only basis this year . . . It'll be tough to develop continuity. Deliveries will be late.'**
>
> **—Phil Weinstein**
> *president,*
> *Affiliated Drug Stores*

"Supermarkets also have H&BA, photo processing and greeting cards. But their assortments are less, they concentrate elsewhere, and it's incremental business for them," said Phil Weinstein, president of Affiliated Drug Stores.

Still, powerhouses like Pathmark can give Northeastern drug chains the shakes when they advertise pharmacy, video departments, cosmetics and H&BA. One-stop shopping means more at a 70,000-sq.-ft. combo than at a 12,000-sq.-ft. drug store.

Weinstein noted one front where drug stores have tried to be innovative, in direct importing, where they'll probably encounter problems this year.

"Direct importing will be on a one-order-only basis this year," said Weinstein. "Economic troubles in the Orient have caused factory closings. It'll be tough to develop continuity. Deliveries will be late, so if something does hit, drug stores won't even be able to get a reorder."

To beat deep discounters, some drug chains have decided to beat them at their own game through diversification, or restress pharmacy service and general merchandise in their traditional stores. They know by now how deadly price wars can be.

Excitement built in

Phil Wilber, founder of Drug Emporium, recently agreed with a *Drug Store News* assessment that shoppers visit his stores partly for entertainment. They never know what they'll find on his shelves because of deal buying. There's an innate excitement.

However, Medicine Shoppe's Atkinson believes deep discounters will undergo "a major washout." He said most operators "won't have the funding or patience to wait for the businesses to break even, about two to three years, compared to one year for a traditional drug store."

"Most entering the deep discount arena won't be able to pay the price to break even. The ROI isn't good enough. Some have given up after four to nine months," Atkinson added.

If pharmacy growth is the way to go, prospects seem strongest for drug stores tied into HMO/PPO (health maintenance organization/preferred provider organization) business. Drug stores who get outbidded for these contracts consider HMO's the biggest threat to their livelihood. Drug stores who win the favor of HMO's acquire a locked-in market for scripts, albeit at far lower prices, and better control of patient records. The advent of mail-order pharmacies is another burgeoning threat to the entire retail drug trade.

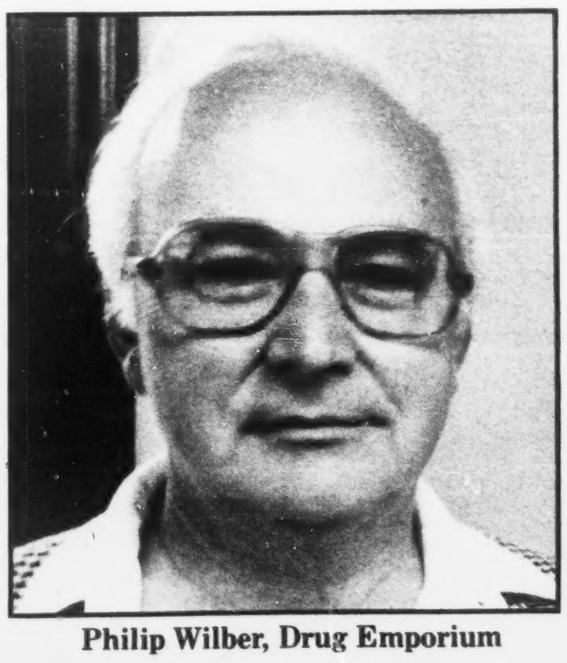
Price hikes lift sales

On the bright side for all pharmacies, manufacturer price hikes of 10%-15% annually helped to lift Rx sales nearly 14% in 1985 on an estimated 3% growth in scripts. "Margins may be reduced," said Peoples' Eisenberg, "but dollar contribution to the bottom line will increase."

Leading merchants from major chains also cited other merchandising categories as drug store bright spots to watch in 1986. They include:

- Cosmetics, because of diverted prestige and designer brand fragrances, continued new product introductions by major cosmetics sources and more fashionable department revamps.
- Stationery, to meet the needs of more home offices that call for costlier, step-up merchandise.
- Candy, thanks to European and Israeli imports and consumer acceptance of high-ticket boxed chocolates.
- Home health care, because the populace is aging and more people do self-doctoring and often seek postsurgical wound care products after early hospital discharges.
- Vitamins and minerals, particularly calcium supplements that are popular among older women.
- Family planning centers, including birth control devices and home pregnancy testing kits.
- In housewares, ultrasonic humidifiers, fashion-colored personal care appliances and microwave cookware.
- In photo, 35mm automatic cameras.

Merchandising executives also felt wholesale pricing wouldn't hurt them in 1986. Most estimated 2%-3% cost hikes this year that they may or may not pass along to customers, depending on the competitive environment.



Philip Wilber, Drug Emporium

Philip Weinstein, Affiliated

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Rx sales rise 14% but gross profit dollars off 2%

Despite a banner year that saw chain drug prescription sales rise nearly 14% to $7.7 billion, an increasing number of third-party prescriptions were responsible for a 2% decrease in gross profit dollars, according to a nationwide *Drug Store News* survey.

Prescription sales were sparked by an 8.9% increase in average prescription price and 5% growth in the number of scripts filled.

The price of an average chain drug script in 1985 rose to $12.25 from $11.25 last year, while the number of scripts filled by the average chain pharmacy increased to 34,265.

While consumers got more prescriptions filled in 1985, the survey showed that a greater percentage of those scripts were on third-party plans.

The survey revealed that the average number of third-party plans being accepted at drug stores increased 20.7% and that the total number of scripts filled on those plans rose 2.2%.

Many third-party programs reimburse pharmacies on the basis of average wholesale price plus a fixed fee. The result is almost invariably a retail price that is considerably less than what a private patient would pay.

In an attempt to offset eroding margins, many chains instituted cost-cutting measures, including shortening hours and holding the line on additions to pharmacy staffs.

The survey showed that in 1985 the average chain drug store pharmacy stayed open one hour less a week than it did the previous year. And although the number of prescriptions rose (1% throughout the industry and 5% in chains), the average number of full- and part-time pharmacists remained the same. The only area in which the chains reinforced the pharmacy work team was in part-time technicians, up 24% from the previous year.

Pharmacists were expected to fill more prescriptions per year, and indeed they did—and computers helped them do it. The survey showed that productivity per pharmacist rose 5.7%, with the number of scripts filled per pharmacist hour at 9.2, compared with 8.7 the previous year.

But third-party involvement alone cannot be blamed for eroding gross profits. Heavier generic use and a reluctance by pharmacists to pass along branded drug company price increases to cash-paying customers added to the pharmacy's profit problems.

The pharmaceutical industry began to feel the full impact of generics last year when the Drug Price Competition and Patent Term Restoration Act of 1984 took its full effect.

Basically, the law provided generic companies with an abbreviated new drug application (ANDA) for post-1962 drugs in exchange for extending patents on drugs that were issued after Sept. 24, 1984.

Shortly after the law's passage, more than 20 generic companies inundated the FDA with hundreds of ANDA's.

Included in the list of drugs eligible for ANDA's were some of this country's best-selling prescription products.

One heavy hitter caught in the generic crunch was Roche's $354 million tranquilizer, Valium (diazepam).

Generic manufacturers claimed they could sell the generic tranquilizer at 25% to 35% less than its branded counterpart.

Around the same time, several generic companies announced they would be releasing a generic version of propranolol, a beta-blocking drug exclusively manufactured by Ayerst as Inderal. Inderal accounted for approximately $325 million in sales in 1985.

An Amityville, N.Y.-based pharmaceutical company, Quantum Pharmaceuticals, was given the green light to market a generic version of Wyeth's $150 million tranquilizer, Ativan (lorazepam).

According to a list released by the Department of Health and Human Services last September, nine of the nation's 10 most heavily prescribed drugs are now available to consumers as generics.

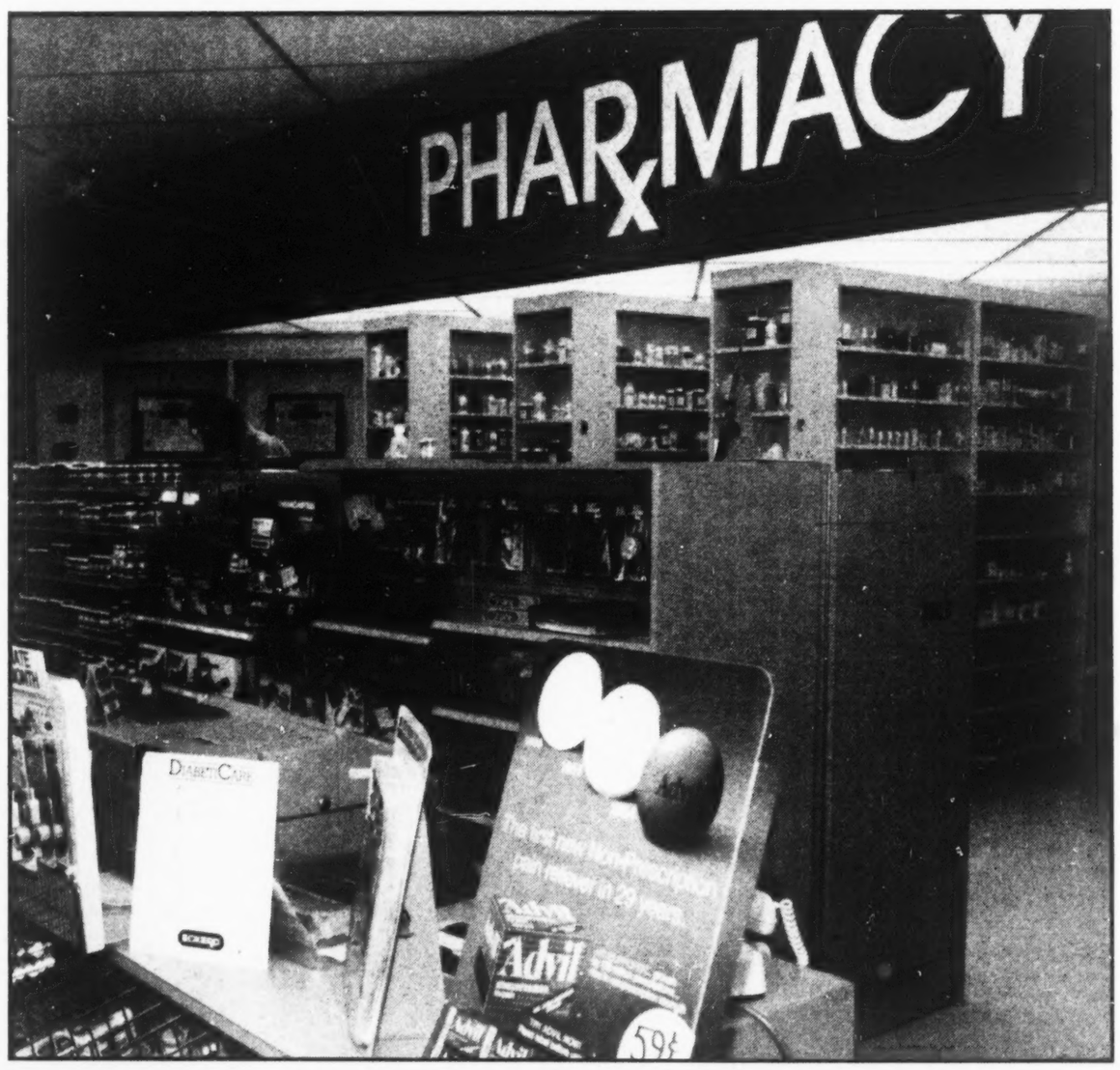
With Valium, Inderal, Motrin and Darvocet-N now available generically, the only single-source product remaining among the top 10 is SmithKline's Tagamet.

Continued on page 42

Prescription department summary

	1984	1985	% change
All drug stores			
Consumer sales ($ millions)	$17,930	$19,902	+11.0%
Scripts (millions)	1,542	1,557	+ 1.0
Average Rx price	$11.62	$12.78	+10.0
Scripts/store/year	30,408	29,379	− 3.4
Stores	50,709	53,000	+ 5.1
Chain drug stores			
Consumer sales ($ millions)	$6,733	$7,669	+13.9
Scripts (millions)	604	634	+ 5.0
Average Rx price	$11.25	$12.09	+ 7.5
Scripts/store/year	34,197	34,271	+ 0.2
Stores	17,677	18,500	+ 4.7

Source: *Drug Store News* survey



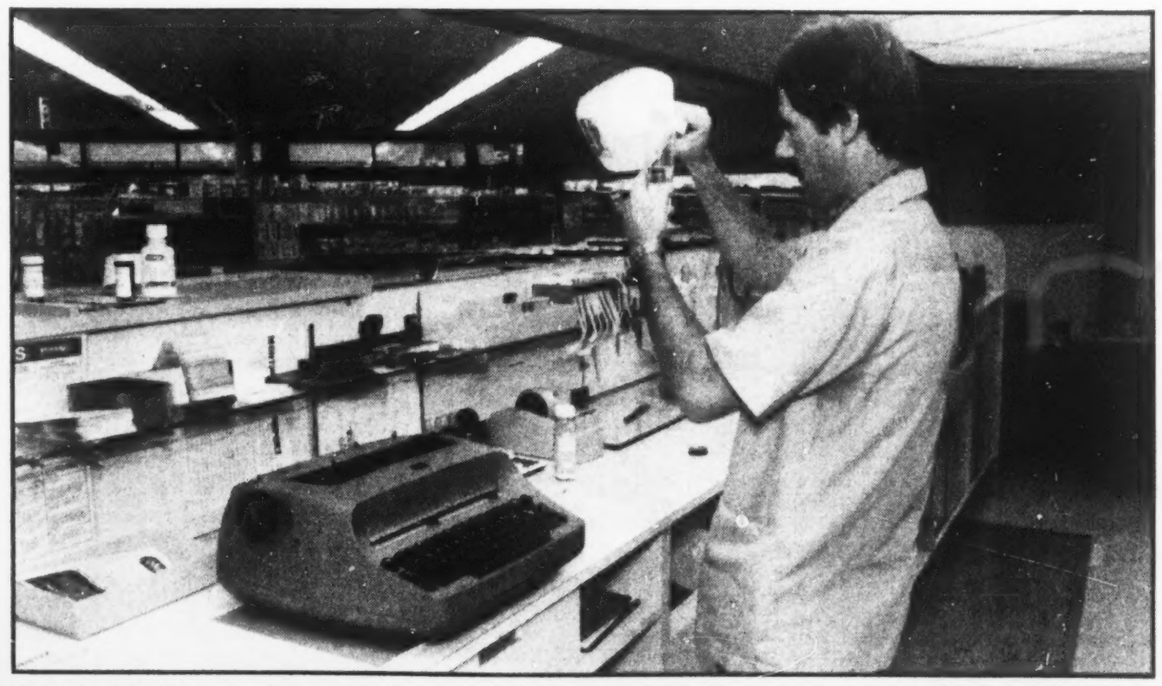
The number of prescriptions filled by the average chain pharmacy increased to 34,265 in 1985. The average price of a script was $12.25.

Top 10 products in U.S. pharmacies

($ in millions)

1985 Rank	1984 Rank	Product	Manufacturer	1985	1984	% Change
1	1	Tagament	SK&F	$397.9	$369.9	+ 8%
2	2	Inderal	Ayerst	371.5	350.8	+ 6
3	12	Zantac	Glaxo	290.2	176.3	+65
4	3	Dyazide	SK&F	281.9	259.1	+ 9
5	10	Tenormin	Stuart	253.1	181.2	+40
6	6	Feldene	Pfizer	240.5	207.9	+16
7	5	Valium	Roche	234.6	219.5	+ 7
8	4	Ortho-Novum	Ortho	233.3	232.9	—*
9	8	Naprosyn	Syntex	231.5	200.3	+16
10	9	Keflex	Dista	210.7	190.0	+11

*Does not include Ortho-Novum 777
Source: Pharmaceutical Data Services



Productivity per pharmacists rose 5.7%, with approximately nine scripts filled per hour per pharmacist.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Although the number of scripts filled rose, the average number of full- and part-time pharmacists remained constant.

Number of scripts filled rises 5%

Continued from page 41

Generic fever has clearly caught on. Government regulatory agencies and state governments view generics as a way to cut expenses of an overburdened Medicaid program. Private sector third-party administrators see generics as a way to sell their plans more cheaply to large corporations and HMO's, and other third-party providers of health care have begun to demand the use of generics. The threat: no reimbursement.

State formularies mandating specific products to be dispensed in drug stores began sprouting up everywhere, and generic substitution showed marked signs of increasing nationwide.

Substituting generics increases

In 1985, pharmacists substituted generics more than ever before. According to the Lebhar-Friedman research, the number of pharmacists substituting increased more than 20% last year, reaching its highest level ever, and accounted for nearly one-third of all chain store prescription sales.

To encourage substitution, several states considered generic incentive programs to reward pharmacists for making substitutions.

One such program was put into effect in Connecticut last year and proclaimed a huge success. Pharmacists are being paid 50¢ every time they save the state $2 or more on a Medicaid prescription by substituting a generic for a branded product.

On a national level, cost-cutters are urging other state drug programs to consider similar incentive programs.

Several chain drug stores met the increased demand for consumers seeking generics with marketing programs that stressed the quality of generics they dispense.

Eckerd introduces PAQ

Eckerd Drug, for example, rolled out a program called Pharmacist Assured Quality (PAQ). Through the program, generic drugs used by the Clearwater, Fla.-based chain must pass an 18-step selection process. If a drug fails any one of the steps, it will not be included in a list of "Eckerd Brand Equivalents" distributed to each store.

In an attempt to hold onto existing market share for prescription drugs, branded manufacturers are feverishly trying to develop new drugs. But this places them in a Catch-22 situation. The companies claim the only way to step up research and development is to raise wholesale prices of existing drugs in the market.

According to the Pharmaceutical Manufacturers Association, research and development expenditures, as a percentage of domestic sales, were more than 15% in 1985, up from less than 12% five years ago.

Efforts are under way by the association to speed up FDA new-drug approvals to get drugs into the mainstream quicker.

According to PMA, in recent years the mean time required to approve a new drug has ranged between 28 and 39 months, with a mean of about 32 months in 1985.

Ad campaigns launched

Several branded manufacturers have also launched aggressive advertising campaigns aimed at physicians. The message: Mark "dispense as written" on the prescriptions they write.

Overall, the increase in prescription business has made the pharmacy the focal point of their strategic plans.

Several chains have installed consultation areas where pharmacists and patients can discuss in confidence the use and side effects of medications.

At Gray Drug Fair, Cleveland, remodeling emphasis has been focused on making the pharmacy department more visible to the consumer, and in Florida, pharmacists are now allowed to prescribe a selected list of drugs.

Pharmacy departments nationwide are actively seeking contracts with high-volume HMO's in an attempt to offset slumping margins with higher prescription volume.

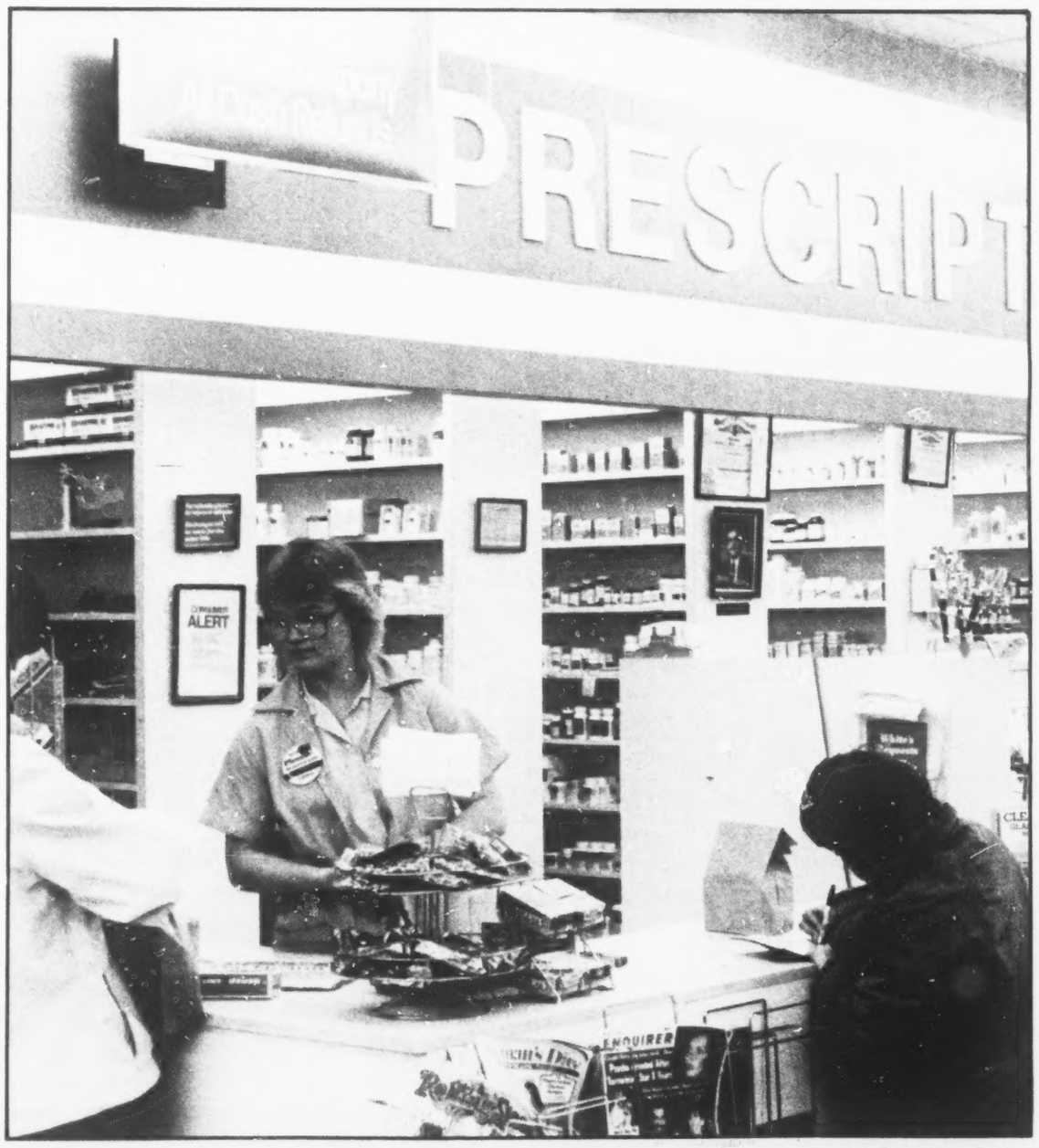
And there is talk in the industry that some pharmaceutical companies are posed to enter into a direct-to-consumer advertising campaign of prescription drugs to help boost their sales.

On balance, 1985 was a good year for the prescription drug business at the retail pharmacy level. Despite lower gross margins, pharmacists are filling more prescriptions, and that is increasing much-needed traffic flow into the store.

Major new drugs introduced in 1985

Drug Name	Company	Category
1. Trental tabs (pentoxifylline)	Hoechst-Roussel	Hemorheologic agent
2. Glucamide tabs (chlorpropamide)	Lemmon	Blood glucose lowering agent
3. Tonocard tabs (tocainide HCl)	MSD	Oral antiarrhythmic agent
4. Maxide tabs (hydrochlorothiazide 50mg triamterene 75mg)	Lederle	Diuretic/ antihypertensive
5. Triphasil-21/28 (levonorgestrel and ethinyl estradiol)	Wyeth	Oral contraceptive
6. Tornalate metered dose inhaler (bitolterol mesylate)	Winthrop-Breon	Bronchodilator
7. Merital caps (nomifensine maleate)	Hoechst-Roussel	Antidepressant
8. Pilopine HS gel (pilocarpine HCl 4%)	Alcon	Eye therapy
9. Trexan tabs (naltrexone HCl)	Dupont	Opoid antagonist
10. Erycette topical sol. (erythromycin)	Ortho	Acne prep
11. Opticrom sol. 4% (cromolyn sodium)	Fisons	Eye therapy
12. Benzamycin topical gel (erythromycin 3%/ benzoyl peroxide 5%)	Dermik	Acne prep
13. Fioricet tabs (butalbital/acetaminophen/ caffeine)	Sandoz	Tension headaches
14. Marinol caps (dronabinol)	Unimed	Antiemetic
15. Seldane (terfenadine)	Merrell Dow	Antihistamine

Source: PharmIndex



In 1985, the average chain drug store stayed open one hour less per week than in 1984.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Outlook is bright for home health care category

The statistics are impressive. In 1980, 25 million people in the United States were over 65, about 10% of the total population. In 1990, that number is projected to burgeon to 38 million, or 18% of the population.

The graying of America is opening up a market in home health care products, forecast by analysts to grow and grow and grow. Consider the estimates. Fred R. Patterson, Johnson & Johnson manager of home health care marketing, said the current market is worth $10 billion. The market is projected to mushroom at least another 50%. Take another statistic, from the Cleveland-based research firm Predicasts, which estimates that by 1995, home health care products and services could top $24.8 billion.

And with many hospitals discharging patients earlier because of increasing pressure to control health care costs, analysts predict that home health care is very much the wave of the future.

Moreover, industry surveys reveal that a drug store with even a limited line of home health care supplies and a few durable medical items can realize 17% of its total volume from the category, said Charles M. West, executive vice president of the National Association of Retail Druggists, at a meeting last year.

Citing a survey of 400 NARD members conducted by Johnson & Johnson, West said that when drug stores expanded the category to include diagnostic devices, ostomy products, supports and appliances, the overall category "then contributed an average of 24% of total volume." When a pharmacy included a complete line of equipment and supplies, plus professional detailing, the category contributed more than 25% of total volume.

In 1985 Perry Comfort Care opened in Dearborn, Mich., marking the first time a drug chain joined forces with a major health care organization to provide home health care products and services.

Despite the promise of the category, the nation's drug store chains have moved somewhat reluctantly into the home health care business. Only a handful of chains, such as Perry and Hook, have made a commitment to freestanding home health care centers, but many more are testing the waters by putting some home health care products into the merchandise mix and offering products through in-store catalogs.

Adult diaper line grows

The line of products most often seen in drug stores is disposable diapers for incontinent adults, a category estimated to grow from $208 million in 1983 to $495 million in 1990. Occasionally, such products are merchandised in a home medical care center, but more often they are found in the first-aid section.

One chain that has recently made more of a commitment to the category is Walgreens. The chain reportedly has set up a Home Health Care Center in Arizona that exclusively supplies prescriptions and home health care supplies to a major insurance company.

Moreover, in many of Walgreens stores, particularly those in neighborhoods with a high number of senior citizens, the chain has installed home medical centers stocked with incontinence and other home medical products. The category is also promoted by signage that states Walgreens has a nationwide delivery service and urges customers to ask the pharmacist about health and self-care supplies for home use.

In 1985, however, it was Perry Drug that took a significant leap into the home health care business. Last year, Perry ComfortCare opened in the Detroit suburb of Dearborn, making the first time a drug chain joined forces with a major health care organization to provide home health care products and services.

The retail store is a joint venture of Perry and the Henry Ford Health Care Corp., the parent company of Detroit's 980-bed Henry Ford Hospital. The hospital, with 450 physicians, has the country's second largest group practice, and the referrals from those doctors have been a valuable asset for ComfortCare.

Perry's ComfortCare Dearborn facility also included the chain's first institutional pharmacy, and it stocked a full line of durable and nondurable medical devices. The store sells and leases the devices. The chain plans on opening more ComfortCare stores with or without a partner in the future.

Another chain that last year made headlines with its first foray into the home health care business was the regionally powerful food/drug combo chain, Pathmark.

Last year, Pathmark began offering about 400 different medical items for sale or rent from small kiosks within its stores. It was a no-risk proposition, as Pathmark lent its name to the business and provided the space for the kiosk, but did not have to add extra personnel, inventory or equipment. The kiosk, in fact, was a joint venture with Professional Equipment Corp. of Hicksville, N.Y., a subsidiary of a 10-year-old home health care personnel provider, Health Extension Services.

Last year, Pathmark tested four of the kiosks in Pathmark supermarket pharmacies and one in a Pathmark drug store.

Pathmark took the concept of in-store catalog merchandising of home health care products one step further than drug chains such as Thrift and Perry. It added a direct hot-line phone system for immediate ordering. As part of each service, there is free delivery, instructional support and installation. The phone lines are open daily and Saturdays, and operators are on call for emergency service 24 hours a day throughout the week.

Independents' interest grows

Last year also marked a renewed emphasis on home health care among the nation's independent drug stores. NARD's Charles West said that last year more than 60% of association members "provided some form of health care services." He added that 72% of stores with annual sales of $750,000 or more are in the business.

Hospitals are another contender in the market. About 11% of all hospitals had established hospital-based home health care agencies by 1985. Moreover, last year, overall, there were about 5,000 home health care agencies in the United States, with about 3,600 Medicare certified agencies.

Consultant says split category into medical, consumer products

How do drug stores accommodate customers who need home health care products, and how does the category fit into the overall merchandise mix in a chain drug store?

Drug Store News spoke to Teri L. Louden, president of Louden & Company, a Chicago-based health care consulting firm specializing in strategic planning and marketing, to find out some answers to these questions.

Louden stressed that drug store retailers should envision home health care as a diversified business requiring operators to segment it into durable medical devices, such as wheel chairs and respiratory equipment, and consumer products, such as diagnostic kits, canes and incontinence pads. The former requires referrals from physicians, a reimbursement system entirely different from third-party prescription systems and professionals trained to custom fit devices such as prostheses. The latter, however, require some space commitment, adequate signage, and training of drug store personnel as to how some of the self-aid home health care products work.

Chains that want to test the durable medical device tack should realize that it "is a complete departure from their existing business," said Louden.

On the other hand, home health care products aimed directly at the consumer, usually with no reimbursement, fit well into the existing drug store mix, she said. She singled out six such categories: back support products; arthritic aids; incontinence products; bathroom aids, such as grab bars and raised toilet seats; self-diagnostic kits; and occupational health products such as utensils especially made for arthritics.

She also noted that such products should be marketed to senior citizens who might find the products helpful in daily living.

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PRODUCTS

Rx-to-OTC switches boost proprietary sales

Cough/cold, allergy category growing fast

The success of drugs that have been switched from Rx to OTC heads the list of factors contributing to a 14% increase in the average chain drug store proprietaries department.

Overall, OTC drugs rose to $4.1 billion, or about 14.5% of total chain drug sales.

Cough, cold and allergy benefited most from the switching trend. It's been one of the fastest-growing categories in unit sales, dollar sales, and gross profit dollars. It climbed 13% in 1985 to $609 million.

According to a *Drug Store News* annual report of the top 100 OTC's, the cough and cold category accounted for nearly one-third of the top 100 over-the-counter products.

The latest addition to the growing Rx-to-OTC category is Parke-Davis' prescription antihistamine Benadryl.

Hoping to cash in on the $70 million allergy product category, Benadryl is going head-to-head with Schering's Chlor-Trimeton, one of the first drugs to make the switch and which currently holds an approximate 50% share of the market.

Allergy products represent less than 1% of the total OTC market, but that figure may be higher because of consumers who choose an antihistamine to treat the common cold.

According to one analyst, if cold products were combined with allergy, they would account for an additional $550 million in sales, or a combined allergy/cold category of $620 million.

Like Benadryl, the cough and cold category as a whole has been fueled by Rx-to-OTC switches. Almost one-quarter of all the products in the category are switched drugs.

Attesting to the popularity of Rx-to-OTC drugs is Burroughs-Wellcome's Actifed tablets. Once available only by prescription, Actifed in two different package sizes (12's and 24's) was among the top 10 OTC's based on unit sales.

Other switched cough and cold drugs include Schering's Afrin Nasal Spray and Drixoral tablets, Burroughs' Sudafed SA, Robbins' Dimetapp and Parke-Davis' Benylin cough syrup.

Doing almost as well as the cough and cold category are analgesic products. Analgesics boast one switched drug, ibuprofen, formerly available as Motrin and Rufen by prescription.

Out of the gate only a year, ibuprofen products did amazingly well. Whitehall's Advil climbed to the No. 78 spot in unit movement and was 21st among the top analgesic items. As of last year's study, Bristol-Myers' Nuprin did not make the list, but analysts believe that it was because of the product's later introduction; they believe rankings should reflect a sizable gain this year.

But the real breadwinner for the analgesic category continues to be McNeil's Tylenol, even though Bayer aspirin and Anacin talets topped last year's analgesic list, in the No. 1 and No. 2 positions, respectively.

Twelve sku's of McNeil's Tylenol products accounted for almost half the analgesics in the OTC study.

Another Tylenol tragedy

Just when Johnson & Johnson's McNeil thought it had fully recovered from the 1982 Chicago tragedy, a similar incident took place earlier this year. A 23-year-old Peekskill, N.Y., woman died after taking a cyanide-laced Extra Strength Tylenol capsule.

This latest cyanide scare not only cost the company $550 million in sales, but its decision to pull capsules from the marketplace altogether was one of monumental importance. For the first time in history, a major OTC dosage form was in jeopardy of becoming extinct.

Shortly after the tampering incident, McNeil began promoting its cap-

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1985 Proprietaries department productivity

	Total sales (add 000)	% of increase	% of dept. sales
Analgesics	$416,034	14.2%	10.2%
Vitamins/nutritionals	414,478	12.3	10.1
Cough/cold (tabs/caps/1 oz.)	363,784	15.4	8.9
Cough/cold (liquids)	245,191	10.5	6.0
Antacids	241,103	11.7	5.9
Laxatives	262,109	13.5	6.4
Diet aids	102,635	13.5	2.5
Eye care/lens care	179,907	16.4	4.4
Asthma inhalers/tabs/liq	14,771	9.4	0.4
First aid products	235,786	12.9	5.8
Wets & dries	29,192	8.2	0.7
Feminine hygiene	209,759	16.4	5.1
Family planning	176,626	17.9	4.3
Acne preparations	70,157	10.5	1.7
Sleeping aids	30,678	11.6	6.8
Antidiarrheal/antinausea	71,524	9.2	1.8
Dental care	405,436	14.5	9.9
Baby needs	351,521	13.2	8.6
Footcare products	166,220	13.8	4.0
Home health care	64,075	16.8	1.6
Miscellaneous	35,764	13.2	0.9

OTC drugs rose to $4.1 billion, or about 14.5% of total chain drug sales in 1985, with Rx-to-OTC switches contributing to increase in average chain drug store proprietaries department.

Burroughs-Wellcome's Actifed, Schering's Drixoral tablets are among drugs switched from Rx to OTC status.

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PRODUCTS

Dental care items accounted for 9.9% of proprietaries department sales in 1985.

Antacids sales increased 11.7% in 1985, accounting for 5.9% of proprietaries department sales.

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let form of Extra Strength Tylenol as well as other Tylenol dosages and appeared to be on the road to financial recovery.

While the FDA and several industry leaders were calling J&J's capsule pullout premature, tragedy nearly struck again, this time with SmithKline's capsule products Contac, Teldrin and Dietac as the terrorists' targets.

SmithKline, reacting to a phone call, pulled the products out of stores in Orlando, Fla., and Houston. After testing, it was revealed that the capsules in question contained traces of warfarin, a rat poison.

Three products recalled

SmithKline recalled the three products nationwide and announced it would reintroduce some of them in new packaging and several dosage forms later this year. The three products accounted for $61 million in retail sales and 42% of the total generated by Menley & James, the SmithKline subsidiary that manufactures them.

The tampering incidents once again raised questions in the minds of pharmacists and consumers as to whether certain OTC products should be sold only by a pharmacist, a so-called third class of drugs.

Such a bill, which would have created a third class of drugs in Illinois, was put on hold after meeting stiff opposition from the Proprietary Association (PA), senior citizen groups and labor and management organizations.

Calling the bill a "druggist monopoly," the PA said it would deny consumers the right to buy the same products at convenient locations of their own choice and at competitive prices.

Pharmacists' willingness to discuss OTC medication instructions was cited in one survey as a reason consumers choose a particular pharmacy.

1985 OTC/proprietaries department highlights	
Chain drug OTC/proprietaries sales	$4,086,749,000
1985 percentage increase	13.7%
Percentage of total chain drug sales	14.5%
Typical gross margins	30% to 35%
Industry profit yield from OTC/proprietaries last year	$1,225,-$1,430,000,000
Average no. of annual dept. turns	5

But according to Alan Granat, Illinois state pharmacy association leader, the separate class of drugs would only include those recently switched from Rx to OTC status.

"The pharmacist's role here is a major one in counseling patients who desire to try the new products," said Granat. "The bill is just an interim measure and does not create a monopoly."

But while pharmacists may have been shot down in Illinois, pharmacists are chalking up a victory.

Florida paves way

Pharmacists in the Sunshine State have been granted permission to prescribe a selected group of prescription drugs without a prescription. While the list contains no OTC drugs, some observers feel the new law basically endorses a third class of drugs concept.

According to a consumer survey from Schering Laboratories, pharmacists may be in the best position to sell OTC's exclusively.

In a nationwide survey commissioned by Schering called "What's Right with Pharmacy!" consumers gave their reasons for choosing a particular pharmacy.

First on the list was availability of the pharmacist to give advice, second was location, third and fourth were the pharmacists' willingness to discuss OTC instructions and his or her recommendations on OTC medication.

Education program launched

Schering, with its large stake in the lucrative OTC market, has also launched a program designed to educate consumers about the safe and effective selection and use of over-the-counter medication. The company's public information campaign, "MediSense," gives consumers enough knowledge to choose from the more than half-million nonprescription medications on the market.

To carry out the program, Schering hired Dr. Burt Prater, a board-certified family practitioner specializing in preventive medicine and patient education.

"Americans spend over a billion dollars on cold, cough and similar OTC medications every year," said Dr. Prater. "There are so many claims made for these products that people often take medications they really don't need."

Buyers dissatisfied

If OTC manufacturers want to make even stronger inroads into chain drug stores, they'll have to alter the way they do business, buyers told *Drug Store News* in its OTC Buyer Survey. The majority of OTC buyers said they aren't satisfied with the caliber of most of the information given them during visits with OTC manufacturers' reps.

Buyers want better information on return policies, new products, invoice dating terms, allowances and upcoming manufacturer-sponsored consumer advertising campaigns.

Only one-fifth of the sample described themselves as "very satisfied" with the information received. In one area, return goods policy, nearly 9 out of 10 said they were unsatisfied or just moderately satisfied with the information they were receiving.

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PRODUCTS

Toiletry department sales climb 11.1% to $3.5B

The fastest-selling toiletry items of 1984 were victims of their own success in 1985 as a flood of me-too products cut into potential sales gains and eroded profits.

The toiletries department, however, remained a powerhouse of the drug store business, with sales climbing 11.1% to a total of $3.5 billion, making the category the biggest producer of all drug store fare outside of pharmacy and OTC products.

But buyers lamented that sales increases could have been even higher if manufacturers had debuted innovative products rather than copycats of 1984's stellar performers.

The mousse category is where the problems began, as virtually every vendor rushed a mousse to the market. At one time, manufacturers estimated mousse and gel sales would crack the $300 million mark. Last year's volume, however, settled in closer to $175 million. Mousse sales in drug chains rose 12.6% to $53.9 million. What really hurt was that drug chains had to pare margins to compete with other retailers, especially food stores, which became more aggressive in the mousse category.

In 1984, retailers were able to enjoy gross margins as high as 35% in mousse. But the spate of new brands, coupled with competitive market situations, knocked margins down to 20%-25% last year. The seams are bursting on the mousse department, and many buyers said they are sticking with only the fastest movers, which are: L'Oreal Freehold, with a market share in the 20% range; Alberto Culver's Alberto Mousse European Foam; Suave; Sassoon; and Clairol Condition Mousse. L'Oreal's new Studio Mousse, aimed at a younger market, is said to be catching on and should grab a healthy share during 1986, retailers said.

Other trends in the mousse category include a move toward larger cans (L'Oreal debuted an 8-oz. size in 1985; Alberto, a 9 oz.), because consumers sense mousse is too costly if it doesn't last more than a few weeks. To that end, smaller cans are being discontinued. The cost of bottling mousse also has dropped now that the aerosol cans are easier to procure.

Drug chains had to pare margins to compete with other retailers, particularly food stores, which marketed mousse in 1985.

Deodorant volume was up 11.8% during 1985 to $354 million. Again, retailers fear too much of a good thing will hinder sales. The biggest success story during the last few years has been solids, particularly wide-mouth forms. Pat Triboletti of Happy Harry's Discount Drug in Newark, Del., said this form has rearranged the breakout of sales that used to be equally split among the three forms. Now, he said, solids and rolls command better than 75% of the business. Mennen's Speed Stick, which has a 26.2% share, has been a catalyst of the trend, along with the fear of aerosol damage to the ozone layer. Mennen enjoyed impressive results from its Lady Speed Stick line extension last year. Now retailers fear all manufacturers will join the wide-stick craze.

Already, one source said, Procter & Gamble has plans for wide-stick Sure and Secret forms in addition to the other Sure and Secret sku's.

"As a category, growth is not all that fast," the source added, "so how can we support more items?"

Hair color glut

A third category where too many new products tarnished 1985 sales gains was hair color. Although more and more women are reaching the graying years—which should portend greater hair color volume—retailers are not enjoying the hair color business they had hoped for. They say there are too many sku's carrying "dreadfully" high price tags. L'Oreal's Avantage, buyers point out, has been very slow out of the gates.

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Deodorant volume was up 11.8% during 1985 to $354 million. The biggest success recently has been solids, particularly the wide-mouth form.

1985 Toiletries department productivity

	Total sales (add 000)	% of increase	% of sales
Handcream/skin care	$370,593	12.1%	12.2%
Deodorants	354,032	11.8	11.6
Men's toiletries	333,001	10.5	10.9
Shampoos	331,330	12.1	10.9
Hair color	283,076	8.8	9.3
Rinses & conditioners	205,365	11.8	6.7
Body creams & lotions	140,599	10.9	4.6
Ethnic (incl. black cosmetics)	200,759	12.5	6.6
Hair notions	108,910	7.7	3.6
Razors/incl. disp. blade	144,141	12.0	4.7
Hair sprays	114,031	11.4	3.7
Suntan/sunburn	146,229	14.2	4.8
Shave creams	44,467	12.9	1.5
Mousse/styling gels	53,898	12.6	1.8
Perms/straighteners	24,546	7.4	0.8
Depilatories	10,269	5.3	0.3
Miscellaneous	182,042	7.8	6.0

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PRODUCTS

Hair color sales were up 8.8% in 1985, to $283 million. Retailers hope temporary coloring mousses will ignite hair color sales this year.

1985 Toiletries department highlights	
Chain drug toiletries sales	$3,047,289,000
1985 percentage increase	11.1%
Percentage of total chain drug sales	10.8%
Typical gross margins	25% to 30%
Industry profit yield from toiletries last year	$760,-$915,000,000
Average no. of annual dept. turns	5

Toiletry dept. sales up 11%

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"We knew the business was in trouble," said one buyer for an East Coast chain, "When Clairol had a one-free-with-one promotion last year."

Hair color sales were up slightly, 8.8%, to $283 million in 1985. For 1986, retailers are pinning their hopes on temporary coloring mousses as a way to ignite hair color sales. Clairol recently launched Pazazz, a temporary color mousse that the company hopes will lure teen users. Roux and Sassoon also feature mousse products with color.

"New for a day"

By now it is no secret the shampoo and conditioner market is overburdened with sku's. The rash of new product launches has retailers scrambling to find shelf space. It has become such a hectic category that a new shampoo is only "new for a day," joked a source at Clairol. And, added one retailer, a $10 million advertising budget is nothing but a drop in the bucket.

According to those polled, vendors may be wise to stick with the tried and true, such as extra-body or regular formulas. Today's shampoo and conditioner consumer seems to be looking for basics such as Head & Shoulders, Flex, Sassoon and White Rain.

Shampoos, of course, are still big business, accounting for more than $2.1 billion through all outlets, with conditioners generating an additional $800 million. In drug stores, shampoo volume rose 12.1%, while conditioner sales were a little slower at 11.8%.

For 1986, retailers are anxiously awaiting the arrival of the first revolutionary product in some time—S. C. Johnson's L'ENVIE by Agree. The shampoo and conditioner line is the first to tout fragrance over performance. The products have scents inspired by much-sought-after perfumes, including Vanderbilt, White Linen and Giorgio. S. C. Johnson, however, was recently ordered to change its packaging to include a disclaimer that the products do not actually contain the perfumes.

Ethnic category suffered

The ethnic category, once the darling of the toiletries department, suffered as blacks abandoned the curl look and curl kits. Sales were up only 12.5%, instead of the huge 16.8% registered in 1984.

Men's toiletries still did not reach the high sales peak vendors have been promising for years. Volume crept up only 10.5%.

"It still remains that on Mother's Day, mom gets a present," said Triboletti, "but if dad doesn't get one, that's O.K."

Gillette's Brush Plus was about the only exciting item in men's toiletries last year, but many retailers report sales now slackening on this item, which moves best on promotion.

Perms and straighteners sales were lackluster. As of the last audit, Ogilvie had managed to secure its lead with 18.8% of the market, according to A. C. Nielsen. L'Oreal was down slightly to 10.6%, Rave garnered 14.4%, and Toni, 14.3%.

In hairsprays, sales rose to $114 million, up 11.4%. Retailers see a trend to downsizing and lower spray prices.

Finally, one of the brigher spots in the category last year was suntan/sunscreen items. Drug stores sold more than $146 million of sun care items last year, a 14.2% increase over 1984.

Men's toiletry sales up 10.5% to $333M

Men are discovering they can be macho and smell good too

Total men's product sales reached $333 million on a 10.5% sales increase, and continue to climb, as men discover that their macho images are not tarnished by the attention they pay to keeping groomed. Although women's fragrances still outsell men's 10 to 1, such prestige products as Aramis and Polo have helped account for impressive figures in those departments.

Sales of the top mass men's items owned their success to better national and co-op advertising schedules. Coty's Stetson held the No. 1 position in this category, as a result of aggressive advertising and clever promotions. Jovan for Men and Chaps also held onto their positions, and such items as Old Spice and English Leather continued to draw the more traditional male customer.

Nevertheless, men's fragrances still take a backseat to women's when allotted shelf space, and women still buy the bulk—80%—of men's scents.

Skin balms, after-shave moisturizers and other products marketed as good for the skin have managed to become staple items in the product mixes of most men's lines. But such products as bronzers, skin toners and wrinkle removers for men remained the specialty items of department stores. Some industry observers, however, said that consumers are becoming more aware of these items and more willing to try them.

Items such as Old Spice, shown in a Pantry combination store in California, and English Leather continue to draw the more traditional male customer.

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PRODUCTS

Prestige fragrances, often behind locked cabinets, continued to draw traffic last year and brought a more upscale look into many drug stores.

Pegged cosmetics scored a big hit in 1985, with sales rising 10.1% to $329.1 million.

New products, packaging push cosmetics up 9%

Cosmetics sales benefited from many new product and packaging innovations and a resurgence of artificial nail sales in 1985. Department sales rose 9.6% last year to $1.5 billion.

Overall, drug store strength was drawn last year from extra promotions, enlarged departments and upgraded product assortments, particularly in fragrances and nail products.

Indeed, the plethora of coupon books, glossy catalogs and sweepstakes from many of the nation's largest chains helped buoy sales in a category accounting for 5.3% of total drug store sales.

Moreover, many of the ploys the nation's drug store chains are using to lure customers are becoming ever more sophisticated, as mass merchandisers and food stores chip away at drug stores' commanding share of the overall cosmetics market.

Cosmetics smelled like a rose last year, with fragrances registering an 8.8% sales gain to $459 million.

Altogether, fragrances, which include toilet water/cologne, perfumes and body sprays, accounted for slightly less than one-third of the sales in the cosmetics department.

The spiraling growth of the fragrance category was sparked by the body sprays, which, in its second year as a subcategory, made a big splash, capturing $25.1 million in sales, up from $22.8 million in 1984.

In 1985, the big success perfume stories were some of the industry's favorites from the year before, including Forever Krystle, Vanderbilt, Ciara, Halston and Aviance Night Musk. But perhaps the biggest gains in the department came from the prestige, often diverted fragrances, which may account for as much as 30% of fragrance volume in some chain drug stores. Overall, perfumes contributed 5.6% of cosmetics sales and rang up $83.5 million in sales, up 9.7% over 1984.

Prestige fragrances last year continued to draw traffic and bring a more upscale look into many a drug store. Moreover, many chains, such as Peoples, began planograming prestige

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1985 Cosmetics department highlights	
Chain drug cosmetics sales	$1,481,076,000
1985 percentage increase	9.6%
Percentage of total chain drug sales	5.3%
Typical gross margins	30% to 40%
Industry profit yield from cosmetics last year	$445,-$590,000,000
Average no. of annual dept. turns	2.3

Manufacturers' promotions and in-store test samplers were among the many ploys used to lure customers into drug store cosmetics departments last year.

1985 Cosmetics department productivity			
	Total sales (add 000)	*% of increase*	*% of sales*
Fragrances	$458,981	8.8%	31.0%
Toilet water/cologne	350,359	8.5	23.7
Perfumes	83,518	9.7	5.6
Body sprays	25,104	9.9	1.7
Pegged cosmetics	329,128	10.1	22.2
Facial treatments	209,506	8.9	14.2
Bath preps	131,379	7.1	8.9
Lipstick/lip color	130,189	10.3	8.8
Nail polish/nail preps	133,739	13.9	9.0
Makeup, powder, cream/liquids	88,154	9.5	6.0

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PRODUCTS

Cosmetic depts. becoming more sophisticated

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brands chainwide and offering discounts on some brands. Even though retailers usually do not make much margin on the prestige items, the traffic volume more than compensates for the lack of profits.

The fragrance category was also widened with the renewed excitement in the men's department. Total men's product sales hit new highs last year, and sales climbed in many drug stores. The strongest sales surge was from men's fragrances, especially in the prestige market. Buyers reported brisk movement of Aramis, Polo, Halston and Lagerfeld. And last Christmas a new entry, the "Dynasty"-inspired Carrington, helped spark sales in an otherwise slow yule.

Nevertheless, in both the men's and women's fragrance department, the mass brands continued to sell well last year, especially during Christmas. Many of the top mass brands also continued to enjoy success on the coattails of the designer brands and on better national and co-op advertising schedules.

Knockoffs plentiful

One of the most exciting mass-brand movements last year was in knockoff fragrances—low-priced imitations of high-priced designer fragrances. There were so many knockoffs making the rounds that buyers were having a hard time distinguishing among them all. But almost every chain did move a good deal of the knockoff fragrances and did a brisk business in whatever they chose to carry.

Another major performer in the fragrance category was body sprays, which accounted for almost 2% of the total fragrance dollar. This subcategory has taken off, despite a slow start due to confusion about how the products should be used. However, the success of Body Flowers, Impulse, and, most impressively, Verve, helped move the sprays in drug stores and firmly establish them in the drug store planogram.

Nails starred

One of the big successes of 1985 was the nail department, which rang up nearly $133.7 million in sales, up 13.9% over 1984. It was the most successful performer in the cosmetics category.

Competition heated up last year from newly reformulated and repackaged collections of nail enamels and a huge push in advertising and promotion among such major vendors as Revlon, Max Factor and L'Oreal. The reformulated Aziza Polishing Pen also showed continued strong sales growth.

But perhaps the biggest story was the new entries in the artificial nail category, many of which were supported by hefty advertising budgets. Indeed, along with the artificial nail craze came the nail decorating craze, which continues to show good growth in many chain drug stores.

On the heels of the excitement in the department, many chains revamped cosmetics departments to create space for more nail care products. Peoples added 30 in. of professional products to its existing space. Austin Drug expanded the department to as much as 15 ft. in some stores. These are but two examples among many.

And last year also marked the overwhelming acceptance among consumers of outrageous nail enamels. For example, many buyers were skeptical that L'Oreal's Future Shock summer promotion would go over well. The neon-bright chrome-yellow nail enamel was thought a bit bold. But many buyers, including those in the Midwest, reported the yellow enamel was the fastest-moving item in the line.

On the heels of that success, many vendors brought out a striking array of enamels, ranging from hot pink to bright orange, to lure the fashion-conscious teenager and older woman looking for a little pizzazz to brighten the wardrobe.

Pegged cosmetics upscaled

Upscaling in the pegged cosmetics department also reaped some huge rewards in 1985, as the section garnered more than 22% of the category sales. Last year, pegged cosmetics sales rose 10.1% to $329.1 million from $298.9 million in 1984. Better fixtures and coupon book sales promoting entire lines of pegged brands helped spark sales in this category, which is one of the mainstays of any drug store cosmetics department. The flurry of discounts on many pegged lines awaiting repacking also helped sales, but proved problematic in some areas, as inventories ballooned with the old and new packaged products.

Lipsticks and lip products such as lip repairs made a big impact in 1985 cosmetic sales, ringing up $130.2 million in sales. The 10.3% increase in sales over 1984 was the second largest increase in the category overall. Much of last year's success resulted from the introduction of new lip colors; slick packaging and coupon discounts that translated into sales at the cash register.

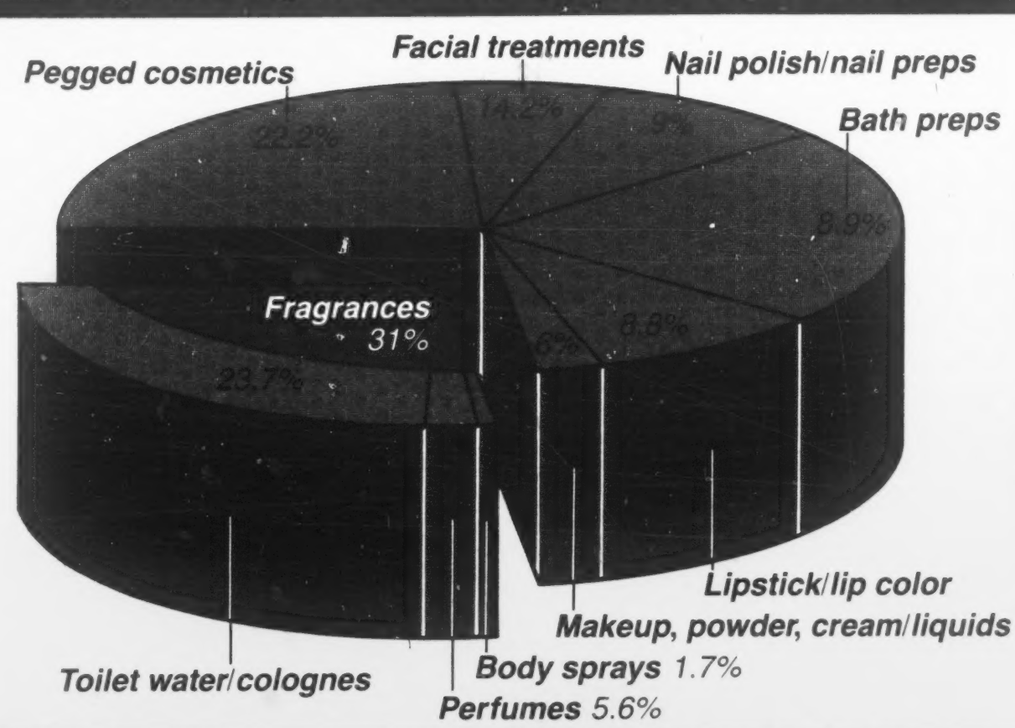
Facial treatments popular

Another stellar performer in 1984 was facial treatments, up 8.9% to $209.5 million in sales. Drug stores are increasingly finding this category a sales generator, despite the spate of sku's and the self-assist or cosmetician service required to sell the products. Lines such as Almay were singled out as especially good sales generators, as vendors kicked off some hefty advertising promotions, showing renewed commitment to the drug store market. And facial treatments last year began to mimic their fragrance counterparts, with more and more sku's aiming at the upscale end of the market. Indeed, Almay has been mentioned as the drug stores' answer to prestige facial treatments.

Nevertheless, here again, mass facial treatment lines continued to draw huge sales, especially that perennial best seller, Oil of Olay. Overall, facial treatments contributed more than 14% of the entire cosmetic category sales.

Bath preps also showed a respectable 7.2% sales increase to $131.4 million last year. Vitabath proved a hit, as did the Vanderbilt bath line. And consumers are continuing to show an interest in bath preps as a vital fragrance accessory. Last year, bath preps accounted for nearly 9% of the cosmetic department sales, and continued marketing efforts should further boost sales in this category.

Fragrances generate 31% of cosmetics sales



Source: Drug Store News survey

Upscaling in many departments helps buoy cosmetics sales, which accounted for 5.3% of total drug store sales last year.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Drug chains add space for broader stationery mix

When a category spins off into more segments, the increased number of sku's translates into more shelf space.

That is what's happening to greeting cards. A year ago, Shoppers Drug Mart devoted 40 running feet; now it's 60. But that's not the millennium. Dalton Van Cleave, national vp-marketing, said, "Now our definition of an ideal department is 112 to 120 ft."

In the last two years, Peoples Drug Stores has increased its space 20 running feet as the chain remodeled or opened new stores.

With this has come a proliferation of manufacturers. The 1940's saw 125 card manufacturers; the 1970's 200; and the 1980's, 500.

Drug retailers are accommodating the new subclassifications because greeting cards have a lot going for them: average ticket of $1, multiple sales, lack of consumer price-resistance, 50% margins, and up to 6% of a store's volume.

Indeed, card sales grew 14.2% in 1985 to $462.9 million, accounting for more than one-third of stationery department sales.

Total stationery sales kicked up 12.7% to $1.35 billion, accounting for 4.8% of drug chain sales in 1985.

Changing lifestyles and new technology have buoyed sales.

Divorce cards are a good example of changing lifestyles. When the divorce rate peaked in 1973, divorce cards failed to make a dent because people weren't ready to accept divorce as a fact of life. However, in the 1980's, awareness and acceptance caught up with the statistics, and sales have responded.

Other growth categories include: cards related to business—more formal in tone and reflecting the corporate image; ethnic cards, with Hispanic the fastest-growing—especially in the Southwest, Northeast, California and Florida; cards that communicate intimate feelings, such as American Greetings' In Touch and Hallmark's Love Talk; and whimsical, Yuppie, photographic and musical cards.

Total stationery sales increased 12.7% to $1.35 billion in 1985, accounting for 4.8% of drug chain sales. Shown is a unit of Austin Drug in Plainview, N.Y.

Traditional cards have upsurged, too. For example, unit sales of religious cards have increased 2%-4% annually since 1982.

Also helping traditional cards appear less traditional is new technology, which is evident in creative designs and shapes, laser-cut laces, pastel envelopes and fashion colors from Paris and Milan.

Greeting card placement

What is the best location for greeting cards? Shoppers Drug Mart, which traditionally placed cards in the back of the store, is experimenting with the front, near cosmetics. Said Irv Bain, executive vp-marketing for Shoppers, "We feel there is a similar ambience and environment for our target customers."

After Adams Drug had placed cards "in just about every nook and cranny," according to a top merchant at the chain, it opted for proximity to cosmetics; SupeRx, too.

At May's Drug, a high-traffic location is a must, but that varies according to store layout. Said Bob Berman, vp: "It's either in the back of the main first aisle or in the last aisle [the return aisle]. We want the foot traffic, but not as the customer walks in. We want to give customers a little time to settle into the store before coming to a browsing-type department."

Second only to greeting cards in stationery growth is school/home/office supplies.

A broader product mix has raised the space ante. In recent years, Medi Mart, Dallas-based Page Drug, Lane Drug, Birch Super Drug of Massachusetts, Walgreens, Thrifty, Genovese and Kinney have expanded their supply sections. In two new stores opened in March, Genovese went from 44 to 56 ft. for the department, with home/office doubling to 24 ft. Kinney Drug is adding four to eight additional feet to its 24-ft. stationery planogram.

Simply adding footage isn't enough, especially in smaller stores. Lane Drug, which operates stores in the 6,500- to 10,000-sq.-ft. range, has moved from a low of 32 ft. to a high of 60, but has also changed shelving to pitch merchandise toward shopper eye level.

Visibility enhanced

Instead of using flat shelves for items such as paper and notebooks, Lane has improved visibility by using slanted shelves with wire mesh fencing 5 in. high. In the first three changeovers, sales increased 15% the first two months, according to Don Nies, supervisor of stores.

Lane has also gone from horizontal to 4 ft. of vertical pegging for pens, to help consumers find the items quickly.

Not all chains are expanding the department. "Growth stopped three-four years ago," said the buyer for a West Coast superdrug chain, "but we are not standing pat—we are redoing the department by eliminating slow movers and adding new items. For example, a year ago, we carried four year-round diaries. Now we carry one. However, we now carry boxed stationery year-round, instead of seasonally. We are trying to even out the valleys caused by the November-December peak when 70% of boxed stationery is sold."

For many chains, computer accessory sales are as floppy as the discs of the same name. Said a buyer for a major West Coast chain: "Only 5% of people with home computers have printers, so how can you expect to sell paper?"

Notwithstanding the softness of computer accessories, the home/office category, which carries 45% margins overall, is as sound as a 1940 dollar. Some drug chains report seven turns a year, which is on a par with many staple drug store departments.

1985 Stationery department highlights

Chain drug stationery sales	$1,352,026,000
1985 percentage increase	12.7%
Percentage of total chain drug sales	4.8%
Typical gross margins	40% to 45%
Industry profit yield from stationery last year	$540,-$610,000,000
Average no. of annual dept. turns	4.5

1985 Stationery department productivity

	Total sales (add 000)	% of increase	% of sales
Cards	$462,931	14.2%	34.2%
School, home office	363,790	16.1	26.9
Books & magazines	229,875	10.8	17.0
Writing instruments	93,054	10.0	6.9
Social stationery	63,638	5.6	4.7
Gift wrap	79,961	7.4	5.9
Disposables/party supplies	47,777	8.1	3.5
Art supplies	11,000	9.1	0.8

Sales from drug store greeting cards departments, like this one at a Wellby unit in Brewer, Maine, grew 14.2% in 1985 to $462.9 million.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

1985 Tobacco department highlights	
Chain drug tobacco sales	$2,127,362,000
1985 percentage increase	7.5%
Percentage of total chain drug sales	7.5%
Typical gross margins	15% to 20%
Industry profit yield from tobacco last year	$320,-$425,000,000
Average no. of annual dept. turns	15

1985 Tobacco department productivity			
	Total sales (add 000)	% of increase	% of sales
Cigarettes	$1,426,368	7.9	67.0
Cigars	339,230	5.8	15.9
Lighters/smoking accessories	181,778	9.1	8.5
Tobacco/tobacco products	153,479	6.3	7.2
Pipes	25,432	4.9	1.2

Price factor crucial; tobacco sales increase 7.5%

Customers' acceptance of generic and price-value cigarettes added life to otherwise depressed drug store cigarette sales, which contributed to a flat tobacco department performance in 1985.

As smokers' consumption and brand loyalty faltered in the face of another round of vendors' price hikes, drug stores benefited from the flight to the lower-priced brands, which increased their share of the domestic $30 billion cigarette market from 5.5% to 7.3%.

Chain drug store tobacco sales hit $2.13 billion, up 7.5% from 1985, fueled by the price hikes on branded cigarettes. But tobacco sales as a percentage of total chain sales slipped from 7.8% to 7.5%.

A shift in consumers' cigarette-buying habits to convenience stores and gasoline stations worked against drug stores, whose share of unit sales dropped from 10% to 9.1% from 1982 to 1984, according to a Brown and Williamson study.

The shift from sales in traditional outlets, including supermarkets, which heavily lost business, according to the vendors' report, forced the industry to refocus on smaller outlets. One result of this was the development of downsized carton racks and more emphasis on retail-level promotions, as opposed to traditional nationwide media campaigns.

Chains posted better margins and more profit dollars from generics such as The Liggett Group's Quality Lights and branded generics such as R. J. Reynolds' Doral, which retailed for $2 to $2.50 below full-price brands per carton. Meanwhile, customers grabbed up price-value brands, notably Brown and Williamson's Richland 25's (which captured 0.5% of the market after only half a year of national distribution), and R. J. Reynolds' Century 25's, adding to sales.

Peoples, Alexandria, Va., carries an extensive mix of cigarettes, tobacco and pipes next to its photo department.

With price a more pronounced factor, customers were less willing to accept many "convenience" 25's, which lacked the discount of the price-value segment, retailers said.

The proliferation of 25's and generics contributed to balloon growth in the number of new brands and styles. In 1985, 46 new cigarette products were introduced, which brought the total number of styles to about 250 and heightened price segmentation.

More styles forced retailers to track movement more closely. At Begley Drugs in Kentucky, where branded generics and full-flavor styles sustained the best growth, some slow-moving lights were cut back to keep the 120 brands and styles sought by 98% of its customers.

Many chains used vendors' single-pack counter displays for the wider 25's, which don't fit into their checkstand racks.

The price segmentation forced some chains to say no to new products. Genovese, for example, only carries 25's priced the same as 20's, to keep the number of cigarette price points down for easier handling by its electronic cash registers.

Buyers said vendors were bearing down with better merchandising offers, and were more willing to coupon.

Philip Morris, for instance, upped payment dollars on single-pack displays, paying $20 to $50 a month, compared with last year's top payment of $35. Drug store buyers said vendors such as RJR and Philip Morris were more anxious to coupon than in past years, using $1 and $2 coupons per carton. "It's a heck of a way to get back those lost sales," said Begley buyer Mike Tipton.

"We can blow through a 180-carton display in a weekend. It sure encourages people to pick up more than one carton," Tipton said of the couponing.

Chains shun cartons

Begley carries cartons on 8-ft. self-service displays in half its stores and on 8-ft. assortments behind the counter in the rest. But other chains avoid cartons because they take more space and provide lower margins than single packs.

However, LaVerdiere's is among chains testing cartons for the first time in six stores, using new downsized displays by Philip Morris. Wellby's, under a major push by its parent, Hannaford Brothers, also adopted the smaller 54-in.-high units—which hold 825 cartons, compared with the typical 1,400-carton capacity of supermarket self-service racks.

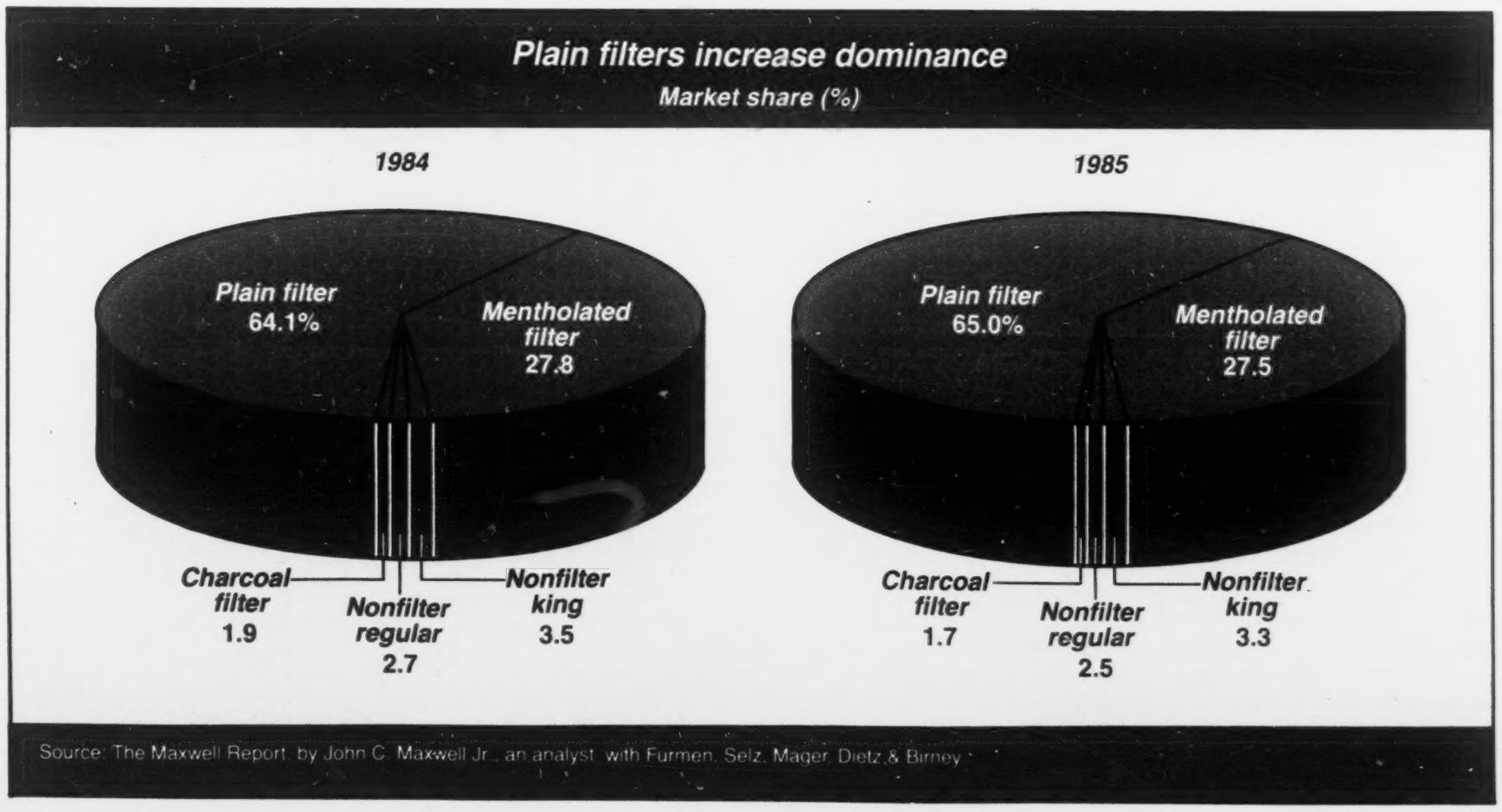
Vendors believe they have a story to tell on packs as well as cartons. The industry emphasized cigarettes' profit potential with direct product profitability (DPP) models that showed cigarettes could generate more income than traditional profit and loss formulas have demonstrated.

But the lesson was unconvincing for some chains, such as Fay's, which drastically cut its exposure after a flat sales period by eliminating self-service and checkstand displays.

With cigarette unit sales down about 1% in 1985, industry leaders foresaw a continuing decline.

New price segments make inroads (Percentage of cigarette market in units)					
	1981	1982	1983	1984	1985
Generic	0.46	0.95	2.92	4.35	4.62
Price value 25's	0.00	0.00	0.36	0.78	1.30
Full price 25's	0.00	0.00	0.00	0.07	0.67
Branded generic	0.00	0.00	0.00	0.38	1.38

Source: Brown and Williamson



Source: The Maxwell Report, by John C. Maxwell Jr., an analyst with Furmen, Selz, Mager, Dietz & Birney

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

Bar candy sales are up 8.7% while bagged candy sales increased 10.1%. Shown is a Peoples unit in Alexandria, Va.

About 10 Genovese units, like this one in Fort Lee, N.J., are selling candy in cases by the pound—much like a specialty candy store.

Upgraded candy depts. show 9% sales increase

Upgraded candy selections paid off handsomely in 1985 as chain drug stores racked up a 9.1% increase in candy sales over 1984, for a total of $973 million.

Drug chains have always enjoyed success with fast-turning candy items such as gum and bagged goods. But last year, retailers also witnessed a surge in movement of more expensive, boxed candy.

"Many people now give boxed candy as gifts, something that had fallen off in the early 1980's," said one chain drug president.

At Genovese, spokesman Don Gross credited programs like Russell Stover with helping his chain achieve double-digit gains in candy volume. Boxed candy, he added, represents 20% of his overall candy sales. About 10 Genovese units are also selling candy in cases by the pound—much like a specialty candy store.

These moves are all designed to satisfy the needs of today's consumers' sweet tooth. In 1985, says the National Confectioners Association, Americans ate an average of 20 lb. of chocolate per capita. That's up from 18.9 lb. in 1984. Total shipments of confectionery products was up 10.6% to $6.6 million.

Drug chains are filling a niche in candy sales between the "designer" chocolates, such as Godiva, which are sold in department and specialty stores, and the less expensive bagged offerings, by emphasizing brands such as Russell Stover and Whitman's Samplers.

Boxed candy sales were up 9.7% to $192.6 million at drug stores in 1985. Retailers claim they can sell even more boxed brands, and are looking forward to a new line Whitman's plans to debut that will be priced in the $10 range. Tom McNulty, vp-marketing for Whitman's, said the brand will probably be test marketed this fall.

He said drug chains are experiencing candy volume growth because they are promoting candy all year and have extended advertising coverage to all product lines.

Buyers confirmed they are reducing the items bought purely for seasonal events such as Halloween or Easter. Instead, they are buying candy that does not have packaging geared toward a seasonal event, in order to minimize markdowns.

This trend pushed up overall sales of both bar candy and bagged candy. Bar sales are up 8.7% to $290.2 million, outpacing overall bar sales growth of 4.3%. Bagged sales are up 10.1% to $374.4 million.

These items continue to be a leading impulse item in a store, according to POPAI. But even in bar and boxed candy, retailers noted a trend to upgraded items like Swiss chocolates, Nestle's Alpine White with Almonds bars and Cadbury brands. Standard favorites, including Junior Mints, Three Musketeers and M&M's, still command hefty volume, too.

Although chocolate and chocolate-type candies produce 60% of all candy sales, other candy products kept up a brisk pace last year. Chewing gum, for example, is a mainstay at any checkout and now turns about eight times per year, above the category average pegged at about six times per year. As a step back in time, retailers report a resurgence of gum with trading cards. During 1985, one hot trend was gum with cards featuring Garbage Pail Kids, a spoof on Cabbage Patch Kids. Another catalyst in chewing gum volume is the use of NutraSweet.

Chewing gum sales rose 6.1% to $99.1 million, keeping gum's share of category sales at 10.2%. Wrigley and Warner-Lambert remain the leading brands in the field, buyers noted.

1985 Candy department highlights	
Chain drug candy sales	$972,975,000
1985 percentage increase	9.1%
Percentage of total chain drug sales	3.5%
Typical gross margins	25% to 30%
Industry profit yield from candy last year	$240,-$290,000,000
Average no. of annual dept. turns	5.5

1985 Candy department productivity

	Total sales (add 000)	% of increase	% of sales
Bagged	$374,403	10.1%	38.5%
Boxed	192,575	9.7	19.8
Bars	290,194	8.7	29.8
Chewing gum	99,066	6.1	10.2
Other	16,737	5.3	1.7

Last year the average American ate 20 lb. of chocolate, according to the National Confectioners Association. Long's in Livermore, Calif., is ready to help assuage that craving.

Although seasonal sales are being downplayed to produce better year-round volume, Easter, Halloween, Valentine's Day and Christmas still pump out big candy volume.

Christmas leads the way, followed by Valentine's Day, Easter and Halloween. Last year, buyers said, was basically free of Halloween candy tampering episodes, suggesting next year will bring Halloween levels back up to where they were before 1980.

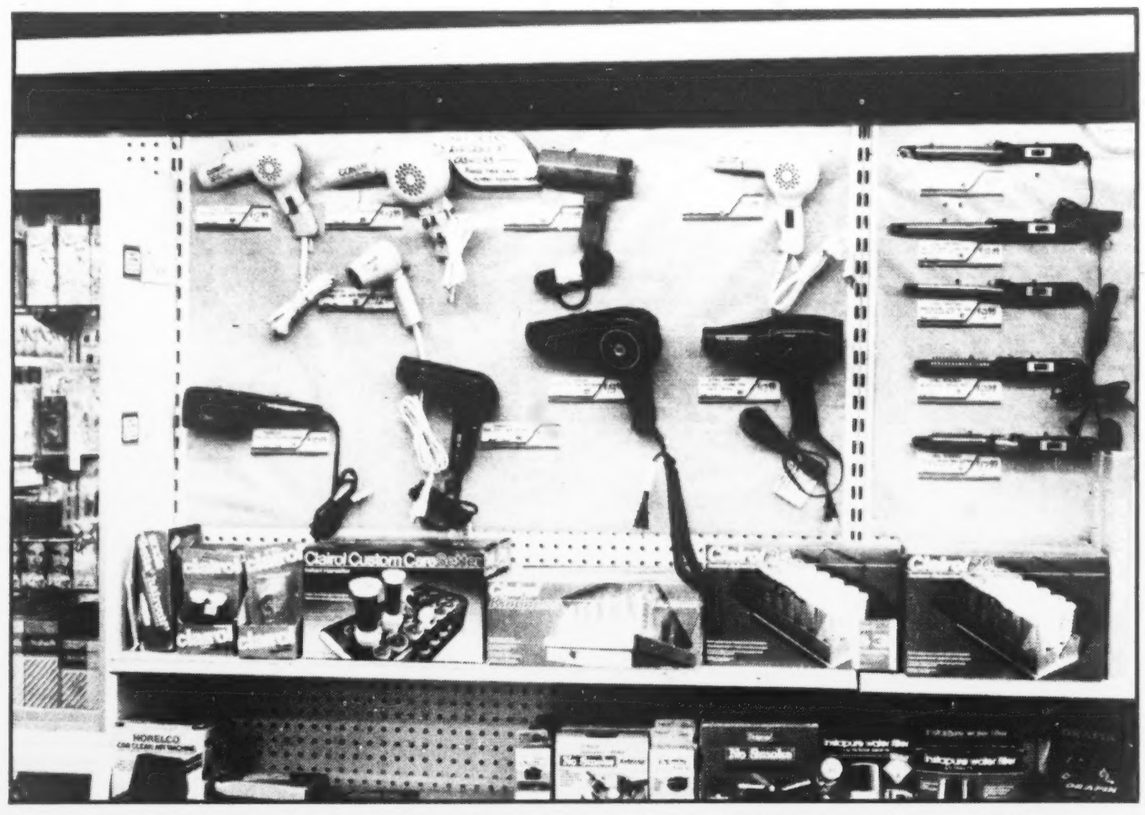
Seasonal volume is being bolstered by the growing consumption of candy by adults. Increased adult purchasing has triggered bigger sales of items such as fruit chews, like Nabisco's Bonkers and Starburst and Granola bars, including Quaker Oats Dip bars.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

1985 Housewares department productivity			
	Total sales (add 000)	% of increase	% of sales
Plastic and rubber housewares	$386,982	6.1%	20.3%
Personal care*	225,870	3.8	11.9
Household supplies	218,081	3.0	11.5
Small electrics	189,104	1.2	9.9
Glass/dishware/cookware	190,255	8.4	10.0
Paper products	145,176	5.6	7.6
House & kitcken gadgets/gourmet	112,412	6.3	5.9
Lighting products	90,288	7.5	4.7
Picture frames/mirrors	69,714	6.0	3.7
Insecticides	59,406	3.1	3.1
Furniture/outdoor furniture	51,931	4.7	2.7
Plant/plant care	46,354	2.0	2.4
Bath/closet	35,111	7.6	1.8
Miscellaneous	81,689	3.9	4.3

*Shifted from general merchandise department



A new safety regulation requiring hair blowers to shut off automatically if they contact water may cause prices to rise this fall. Shown is a display at a Peoples unit in Montgomery County, Md.

Drug chains cherrypick hot housewares items

Housewares showed the second slowest growth among all drug store merchandise categories in 1985.

Sales rose just 4.4% to $1.7 billion, as chains began to cut back electric appliance sku's, saw continued price erosion in personal care and largely opted for promotions over continuity programs in higher-ticket tabletop, microwave, electronic home health devices, knockdown (KD) furniture and closet accessories segments.

These popular segments behaved better at other classes of trade, such as discount department stores, specialty shops and warehouse clubs. But drug store merchants cite space constraints and lack of a strong housewares image that would lure customers as reasons why they mostly cherrypick hot items rather than develop permanent programs.

Still, there are success stories in housewares, which accounted for 6% of drug chain sales last year. That's second in contribution only to tobacco, following the core drug store categories of Rx, OTC and toiletries.

For instance, Perry Drug, which devotes an unusually large amount of space to seasonal, sells a broad variety of KD furniture from these aisles during January-March and July-October periods. Assortments tie into the growth of home offices and audio/video systems and include computer desks and chairs, microwave and VCR carts, room dividers and library units.

Thrift, Eckerd, Revco and Community Distributors are among drug chains making inroads into closet and storage accessories, according to industry sources. Just in patterned cardboard boxes alone, Thrift devotes 12-16 ft. every day, and Community 16 ft. Eckerd promotes regularly. Revco recently sold 70,000 storage chests at 97¢ retail during a six-week chainwide promotion, helped by a 50¢ manufacturer rebate to consumers.

Genovese, Fay's and Bonanza Stores consider microwave cookware to be viable drug store items, both in single pieces and sets. Genovese, for instance, is developing a 4- or 8-ft. planogram for microwave cookware that would include primarily single pieces year-round but also sets during Christmas season.

1985 Housewares department highlights	
Chain drug housewares sales	$1,902,373,000
1985 percentage increase	4.4%
Percentage of total chain drug sales	6.7%
Typical gross margins	35% to 45%
Industry profit yield from housewares last year	$665,-$850,000,000
Average no. of annual dept. turns	3

Perry Drug's Pontiac, Mich., store features flatware, bowls and plastic food savers at low prices during a Dollar Days promotion.

The chain plans to carry Litton because of its strong association with ovens, plus Anchor Hocking as a step-up line, and possibly Rubbermaid. Genovese also plans to promote a subcompact Emerson microwave oven at less than $100 for Mother's Day and Christmas. "It's an item business, but we can still cross-merchandise," said Owen Rees, assistant vp-purchasing.

Indeed, cookware/dishware/glass sales rose 8.5% in 1985 to $190 million, the largest housewares segment gain, which reflected incremental sales of microwave accessories.

Lighting is another segment that grew handily last year, up 7.5% to $90 million. That reflects efforts by chains such as Walgreens and Osco to sell more high-margin lighting accessories as part of expanded 12- to 16-ft. electrical centers, according to an industry source. These sections can produce volume equal to 20%-25% of a store's light bulb sales, but at 60% margins.

Another positive trend rests in home health care devices such as blood pressure monitors and digital thermometers, which trade sources estimate are sold in about 30% of the nation's drug stores.

Prices stabilized

"Prices appear to have finally stabilized," said an executive at one major manufacturer, referring to 30% annual price declines over the past two years. He agreed with others who cited increased consumer demand for step-up electronic models in the $60-$80 retail range because "people spend where their health is concerned."

However, drug stores have hesitated to merchandise these items away from pharmacy, where usage questions can be answered more easily. Drug store buyers continue to limit their exposure in this category, often selling just one or two sku's, because inventory investment gets relatively high.

That's the same concern keeping many drug chains away from microwave ovens at $85-$100, even though their growth curve is strong in most parts of the country. Buyers said low margins make oven merchandising tantamount to "trading dollars." However, another merchant punned, "You have to sell a lot of toothpaste to make that same $10 to $20 profit."

The bright spot in personal care last year was fashion-colored appliances from Conair, Clairol, Candie's and others. When Conair blister-packed neons helped kick mini-turbo prices up to $12.99, retailers were taking 30%-35% margins. But by last Christmas, even these were being discounted as low as $9.99 at the same low margin that's plagued this merchandise segment in recent years.

Colors are still effective marketing tools, and pastels have been introduced this year to keep the colored segment from maturing.

However, the nature of personal care could change rapidly in 1986 and 1987, as the Underwriters Laboratories' October 1987 deadline draws near for hair blowers to shut off automatically when they contact water. Sunbeam and Conair have already introduced such "safety" models, which will be available this fall.

Most trade observers view the regulations to protect against consumer misuse as a perfect excuse to raise personal care price points and margins and bring the category out from under the rebate umbrella.

Buyers said the housewares items they'll concentrate on in 1986 will include downsized food processors, ultrasonic humidifiers, newer grooming aids such as beard trimmers and bikini shavers, generic nonstick cookware, food storage containers, closet accessories, personal care, microwave accessories and KD furniture.

PRODUCTS

Drug store toy sales up 4.4% in '85 to $700M

Last year didn't yield a single toy as hot as Cabbage Patch or a board game that performed as dynamically as Trivial Pursuit. But chain drug store operators were pleased with the 4.4% sales gain they managed to produce in the toy category during 1985.

"When you take into account we did over $1 million in Trivial Pursuit alone in 1984, you realize any gains in 1985 are respectable," said Don Gross, vp-marketing at Genovese.

Chain drug store toy volume was indeed respectable last year, amounting to just over $700 million. But since there was not an item to rival Cabbage Patch, toys, as a per cent of overall drug chain sales, dropped slightly from 2.6% last year to 2.5%.

Sales growth in drug chains was slightly below the industry growth rate of 8%, according to the Toy Manufacturers of America. Total toy sales, the association reported, hit $12 billion last year.

Although sales growth slowed in 1985, it was a year drug chains proved to be outlets capable of selling higher-priced toys. When Worlds of Wonder's talking Teddy Ruxpin grabbed the hearts of consumers, drug chains were there to snap up supplies of the plush bear. Genovese, for example, sold-through on Teddy Ruxpin at a price point of $70.

The beauty of carrying items like Teddy Ruxpin, added another chain executive, is that drug chains had a supply long after other outlets were out of stock. "That meant customers who came in for Teddy spent more money with us on Christmas gifts," he added.

For those who thought $70 was a bit steep, there was another hot plush item: Kenner's Pound Puppies, priced at about $15. The success of Pound Puppies helped push plush sales up to almost $600 million last year. Drug chains amassed sales of $56 million, up 7.1% over 1984.

There are more plush entries for 1986. Joining Pound Puppies will be Pound Purries, Fluppy Dogs, Popples, Wrinkles and Kissyfur. There will be Kennel Kittens, Strays and a host of other "adoptable" plush animals. But buyers warn of an overload. "How many plush dogs or cats should we carry . . . I don't need three different brands," a buyer laments.

Sales of board games advanced just 2.4% to $121.6 million during 1985. Trivial Pursuit was still strong for some retailers, while others had praise for Scruples, a game that tests the morals of players. Walgreens even devoted a whole store front window to Scruples.

Scruples, however, is already giving way to what buyers say will be the hot game of 1986, Out of Context. "We're planning that to be big for Father's Day," reports Gross.

Action figures still run up big sales in drug stores, particularly because of reasonable price points and high-impulse peg displays. Overall action figure sales jumped 26% last year, said the TMA. Drug stores got a good share of that increase, with sales up 7.8% to $105.5 million. Masters of the Universe was still voted as the best mover, although LJN's Wrestlers also received some mention. Mattel's She-Ra, the girls' answer to He-Man, also performed well last year and invited several imitators.

But when it comes to toys for girls, retailers said there is no stopping the 28-year-old Barbie. Barbie led doll sales, which rose 5.7% to $56.1 million in 1985.

Other important peggable toys, besides action figures, are those that transform from vehicles to robots. But volume has been eroded by a flood of inferior goods. Unfazed, manufacturers of transformable toys are bringing the concept to other toy areas. Mattel, for instance, is offering Double Dooz characters and playsets, which are animals characters with interchangeable Velcro parts. Kenner has Centurions as a fighting team that can change into Superheroes with Power Xtreme weapon packs.

To make room for more board games and action figures, drug retailers axed hobby and craft sku's last vear. Growth in that category was flat, with sales reaching $41.6 million at drug chains in 1985.

Toys sales are generated mostly by discount stores, with 31% of total dollar volume, according to NPD Group. Toy stores produce 22% of sales; department stores, 15%; catalog showrooms, 7%; and variety units, 5%. Drug stores and supermarkets fall into the all-others class, with drug units estimated to produce 5% of overall sales. But the chain drug stores' market share is expected to increase in the years to come, as vendors—realizing the impact of one-stop shopping—work more closely with food and drug outlets to produce better toy programs.

Wellby, Brewer, Maine, carries a large assortment of board games. Trivial Pursuit was still a strong seller in 1985 for some retailers, while others praised Scruples.

1985 Toy department productivity

	Total sales (add 000)	% of increase	% of sales
Games	$121,653	2.4%	17.4%
Pegged toys	105,530	7.8	15.1
Cars	91,588	3.1	13.0
Boxed toys	86,534	4.4	12.3
Preschool	66,484	6.0	9.5
Plush	56,172	7.1	8.0
Dolls	56,140	5.7	8.0
Hobbies	41,637	1.5	5.9
Miscellaneous/seasonal	75,543	2.2	10.8

1985 Toy department highlights

Chain drug toy sales	$701,280,000
1985 percentage increase	4.4%
Percentage of total chain drug sales	2.5%
Typical gross margins	35% to 40%
Industry profit yield from toys last year	$245,-$280,000,000
Average no. of annual dept. turns	2.6

Trivial Pursuit and Cabbage Patch Kids made 1984 a dynamic year for toy sales. Despite the debut of a similar hot seller in 1985, drug store operators still generated a 4.4% sales gain in 1985 for the toy category.

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PRODUCTS

1985 Photo department productivity			
	Total sales (add 000)	% of increase	% of dept. sales
Film	$463,635	9.5%	37.5%
Still color	265,516	14.7	21.5
Instant picture	182,537	2.9	14.8
Movie color	10,921	2.2	0.9
Still B&W	4,661	6.1	0.4
Processing	403,597	15.9	32.6
Flashbulbs/flash attachments	190,031	3.1	15.4
Cameras	122,060	11.5	9.9
Blank/prerecorded video cassettes	56,106	17.3	4.5

1985 Photo department highlights	
Chain drug photo sales	$1,235,429,000
1985 percentage increase	10.9%
Percentage of total chain drug sales	4.4%
Typical gross margins	20% to 25%
Industry profit yield from photo last year	$245,-$310,000,000
Average no. of annual dept. turns	9

Drug photo sales up 10% as shutterbugs trade up

The photo department has been making a better impression on drug store retailers.

The tandem growth of 35mm autofocus cameras in the $90-$150 retail range and improved color print films has opened up a higher end of photography to a broader marketplace.

People saying cheese today more than ever are doing it for 35mm photographers, who've decided to step up from 126, 110, disc and instant formats to larger negative cameras that are mostly automatic.

This has had a positive impact on sales of cameras, film and photofinishing services. In 1985, the photo department grew 10.9% overall to $1.24 billion. That represents 4.4% of drug chain sales, matching its contribution of a year ago.

The most dramatic gains were in photo processing, despite the preponderance of freestanding and outside retail competition. Photofinishing grew 15.9% to $404 million at drug chains last year, accounting for barely less than one-third of total photo business.

Growth of still color film nearly matched that pace, rising 14.7% to $265 million last year. This film format, which includes a wide variety of popular 35mm films for Kodak and Fuji, increased its dominance among all film sales in 1985. It accounted for more than 60% of all film sold at drug chains, up from 55% a year earlier.

Instant films grew just 2.9% to $183 million, but remain the second most popular film.

Drug chain merchants expect the importance of instant to diminish, particularly with Kodak out of the picture since earlier this year. While saying Polaroid would hold up its end with new product introduction, some felt the Kodak name added extra credibility to the format. Chains estimated that Kodak accounted for 30% of their instant business.

Earlier in 1986, Kodak announced its first 35mm entry in 16 years, to tap the growing autofocus trend. A competing source in this format told *Drug Store News* he thought Kodak's presence would help the segment grow by 10% in units annually.

The popularity of established autofocus brands—such as Canon, Minolta, Nikon, Olympus, Pentax, Yashica and Ricoh—is reflected in camera sales growth at drug chains. Camera sales grew 11.5% last year to $122 million, accounting for nearly 10% of department sales.

Another support leg has emerged strongly in the department: blank and prerecorded videocassettes, which, in their relative infancy, have grown 17.3% to $56 million last year, about 4.5% of total photo sales.

Photofinishing grew 15.9% to $404 million at drug chains last year, accounting for almost one-third of the total photo business.

Market for video tapes seems hot

Estimate reports that Americans rented 675 million during 1985

The market for blank and prerecorded tapes appears to have no end in sight, given the pace of household penetration by videocassette recorders. The only question is: How much of the business can drug stores capture?

Plenty, its seems, even at their estimated market share of nearly 10%, because demand for tapes continues to surge, and there'll probably be a shakeout among video specialty stores.

Indeed, a new study by the Electronic Industries Association (EIA) consumer electronics group indicates that VCR's are in one of every three American households, but that 41% of nonowners intend to buy a unit this year.

To give an idea of what that means to blank tape sales, 3M, maker of Scotch, predicted that people who bought a VCR in 1985 would buy six blank tapes in 1986, five in 1987, and four each in 1988, 1989 and 1990.

Drug chains have increasingly set up front-ended pegged displays to sell name brands such as Kodak, Fuji, Scotch, JVC, Maxell, Memorex, BASF, TDK, Polaroid and Sony at $4.99-$8.99. They augment margins by selling costlier head cleaners, storage cabinets and dust covers.

Sales of prerecorded tapes haven't been nearly as bright because of typical $60-$90 price tags in the market and consumer preferences to rent. That appears to be changing, however.

Paramount, for example, dropped some popular titles to the $25 range last Christmas, skirting drug stores' upper bounds. Public domain offerings have broadened and 1986 prices in the $7-$10 range are creating that opportunity for impulse sales.

More children's, sports highlights and instructional tapes from sources such as Prism, Kids Klassics and Golden Book Video are bringing extended variety to drug store racks at retails typically less than $10.

However, rentals far outpace sales of prerecorded tapes. Drug stores have gone after this business by usually renting at competitive market rates, $1-$3 per night, and imposing no membership fees.

Americans were expected to rent 674 million films during 1985, up from 390 million a year earlier and just 20 million in 1980, according to *Video Marketing Newletter*, a trade publication.

Rite Aid has been the most aggressive drug chain, expanding its rental program to more than 600 stores by now, with plans to go chainwide by the middle of 1987.

It invested $20 million in 1985 to roll out its program and stock each renting store with 1,050 titles covering all movie industry ratings. Rite Aid is eying strong position once the independent video store shakeout reaches full bloom by 1990. It may have its hands full battling a full-fledged commitment by Southland's 7-11 network.

The EIA study showed further that:

- Of VCR owners, 95% said they'd replace their VCR's if necessary.
- First-time purchasers accounted for 83% of VCR's sold in 1985.
- The average retail price of a VCR fell to $420 in 1985 from $728 in 1981.
- VCR owners report using the units an average 9.3 hours a week to play cassettes and 6.1 hours to record.
- VCR owners are likely to have larger households, higher incomes and be younger than nonowners.
- The VHS market share has risen steadily to 90% in 1985 from 71% in 1980.

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PRODUCTS

Funky 'shades,' jewelry brighten year's gm sales

High margins spur push for year-round play

General merchandise/sundry sales rose 5.9% last year to $1.2 billion, as consumers turned increasingly to drug outlets to buy items such as sunglasses, watches and jewelry.

The moment "Miami Vice" star Don Johnson or Madonna donned sunglasses, drug store retailers saw sales soar. Funky sunglass frames, including cat-eye styles, Yoko Ono shields and Risky Business wayfarers, led an 8.1% sales gain in sunglass volume last year to $187.7 million.

Drug store buyers admitted they're more willing then ever to take a chance on stylish frames, despite the risk of markdowns as fashions change.

Color was also important in shades last year, with tortoiseshells and vibrant colors like fuchsia and purple flying off spinner racks.

More than $1 billion in sunglasses moved through all outlets last year, according to the Sunglass Association of America. The average price of a pair in 1985 was $6.43—a price point that fits nicely into the drug store mix. The trade group said drug stores sold more than 21 million pairs in 1985, meaning drug outlets accounted for 13% of all glasses moved.

Drug stores also sold more watches and jewelry last year, as consumers discovered upgraded selections and more fashion at the local drug counter. Colorful watches inspired by Swatch designs sold well last year. Lower-priced versions of these plastic watches led a 6% category sales gain to $103.3 million. Of particular interest to buyers was the new Timex Watercolors line priced at $24.95 and Armitron's Awatch.

Brightly colored costume jewelry was another traffic stopper in the nation's chain drug stores.

Buyers were impressed with the speed at which jewelry suppliers knocked off department store styles in 1985. Coordinated earring and necklace sets also ignited sales. Buyers noted that jewelry companies worked harder than ever in 1985 to devise good programs. Retailers, in turn, devoted extra spinner racks to jewelry and promoted the category harder.

The beauty of sunglasses, watches and jewelry, buyers added, is attractive gross margins. In sunglasses, for example, margins soar as high as 50%. Jewelry produces margins in the 40% range.

No wonder, then, that retailers are working to make these categories year-round sellers, rather than seasonal performers.

Electronic items moved

Drug outlets are not where a customer usually thinks of buying a consumer electronic item. But aggressive buying and promoting helped consumer electronic sales rise 5.4% to $94.8 million in chain drug outlets. Buyers report selling a great deal of the Conair High Energy phone in pegged card displays, as a home fashion extension of their popular hair blowers. Drug stores also sold their share of boom boxes, personal stereos and even microwaves at nearly $100. A handful of retailers—such as Pay Less, Page and Pay 'n Save—took advantage of falling videocassette recorder prices to promote them in the $150-$200 range. Whether chains sold VCR's, most moved a great deal of blank tapes.

Many consumer electronic items require batteries—in fact, many toys, clocks, cameras and other gadgets gobble up batteries. Chain drug stores sold a hefty $156.3 million in batteries.

Not surprisingly, batteries rank as one of the top five checkstand items. Few shoppers can walk past a checkout without noticing batteries and often remembering they need some. In unit movement, according to the *Drug Store News* Triple A Study, the Duracell D-2 battery is the fastest-moving sku, followed by Duracell AA-4, Eveready Energizer AA-4 and the Eveready Energizer D-2.

For those retailers who carry sporting goods, sales were up a modest 5.8%. Sporting goods, said a Perry Drug Stores merchant, move best in stores serving recreational areas. Perry, in fact, sells fishing gear and even boats in several of its resort-area stores.

Pet needs a growth area

Pet needs is another growth area for drug stores. Sales were up 7.5% last year to $154 million, as more and more Americans decided to adopt a pet. Drug store mix, however, is strictly food, litter and toys. Chains do not want to sell live pets.

Finally, the gm/sundry category enjoyed a healthy 7.1% gain in pantyhose sales to $203 million. Although supermarkets command the biggest portion of this business, drug chains have netted a nice piece of the pantyhose business. Most drug chains said they are now carrying at least three major pantyhose brands, including a private label hose.

General merchandise 1985 productivity*

Category	Total sales (add 000)	% of increase	% of dept. sales
Sunglasses	$187,697	8.1	15.8
Pet needs	153,949	7.5	12.9
Sporting goods	134,107	5.8	11.3
Pantyhose/soft goods	202,777	7.1	17.0
Watches/bands	103,334	6.0	8.7
Home electronics	94,775	5.4	8.0
Batteries	156,317	6.8	13.1
Yarn/sewing notions	74,679	1.3	6.3
Vaporizers/humidifiers	19,707	4.2	1.7
Giftware	26,305	2.1	2.2
All others	36,031	4.2	3.0

*Category base changed to reflect shift of personal care to housewares category

1985 General merchandise department highlights

Chain drug general merchandise sales	$1,189,678,000
1985 percentage increase	5.9%
Percentage of total chain drug sales	4.2%
Typical gross margins	35% to 45%
Industry profit yield from general merchandise last year	$415,-$535,000,000
Average no. of annual dept. turns	5.2

Most drug stores sold a large quantity of blank tapes, while some took advantage of falling videocassette recorder prices to offer them in the $150-$200 range.

Funky sunglass frames, inspired by Yoko Ono, Madonna and Don Johnson "looks," sparked an 8.1% sales gain in sunglass volume.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

PRODUCTS

DIY drug store shopper just seeks convenience

Chain drug store do-it-yourself departments, with auto parts and accessories leading the way, provided high-margin sales from customers looking for convenience or making impulse buys.

Although drug stores' involvement continues to be limited in departments such as hardware, paint and supplies and electrical items, the category sparked profits and traffic from customers who in most cases have already made their big-ticket DIY purchases at mass merchants and specialty outlets.

Chain stores reported steady sales from auto parts and accessories, with their drug store merchandising in some cases enhanced through the lessons they have learned from running separate auto parts chains, such as Rite Aid's ADAP chain, Perry Drug's Auto Works units and Fay's Wheels.

But total DIY sales grew a meager 1.04% from 1984 to 1985 to $424.5 million, the least growth among all categories at drug chains. It also continued to be the smallest category, accounting for 1.5% of sales.

"We're not at the point where we can compete head-on with these specialty stores," said Lance Clark, Snyder's Drug's merchandising manager, in reference to Snyder's electrical and hardware departments.

To assist customers who often lack technical sophistication, Snyder's is replanograming an 8-ft. electrical department to create a simplified selection, with a coordinated look in packaging and display.

The stronger presentation will include fewer vendors in products such as electrical outlets, switch plates, extension cords, fuses and light bulbs. Packaging will be more consistent to help denote the department's location. It will also create a less confusing assortment, to "simplify the purchase decision for the customer. She is not an electrical contractor," said Clark.

The readjusted presentation will include phone accessories, lifted from behind the counter, as customers are less dependent on sales help in making those purchases today, Clark said.

Taking advantage of the electrical segment's high margins, Walgreens is planning to set up in some stores a 12-ft. electrical center to augment light bulb sales, including telephone accessories, dimmers, wall switches, switch plate outlets, wiring aids and screw taps, according to an industry source. Margins can reach 60% when a chain buys direct, as Walgreens plans to do, the source said.

Osco is another chain reportedly establishing an electrical department, in which sales would typically equal 20% to 25% of a store's light bulb volume.

Needs monitoring

While chains such as Snyder's achieve category growth in the electrical segments, most are hard-pressed to generate high sales growth as they monitor inventory and weed out slow-performing items. "DIY has to be very carefully managed in a drug store," noted Dan Herrmann, Fay's Drug president and coo. "At times, the assortment has to be confined, or you'll never turn it," said Herrmann, whose stores display 64-ft. sections for hardware and paint supplies.

Fay's emphasizes promotions that parallel the building and repair seasons as well as holidays, such as Father's Day.

But the upstate New York chain will maintain a somewhat leaner inventory and avoid higher-risk items, after slightly below-par 1985 sales, says Herrmann.

Largely through a process of trial and error, Perry Drugs has fine-tuned departments in hardware, plumbing and paint supplies into profitable high-turn segments with 40% to 50% margins, said a chain executive.

Perry discovered the profit potential of accessories in each category after experimenting with broader offerings, which still couldn't compete with specialty retailers, according to David Peterson, vp-corporate merchandising.

After phasing out paint, high-ticket tools and large plumbing fixtures, Perry was left with accessory assortments that are in steady demand from weekend amateurs who make their big buys at mass merchants and building supply outlets, but "forget to buy their accessories," he said.

Home repair items move

Drug stores benefited from the largest annual increase ever recorded for spending on residential alterations and repairs. The $80 billion spent in 1985 was a 14.6% increase from 1984, according to the National Association of Home Builders.

Growth should level off this year at 5%-7%, with about 25% of all remodeling expenditures attributed to the do-it-yourselfers, the NAHB projected.

Drug stores are also taking advantage of a growing automotive aftermarket. The number of drug stores carrying auto parts grew 12% between 1980 and 1983, according to the Automotive Parts and Accessories Association.

Drug stores thus outstripped growth of tire stores, service stations, new car dealers and department stores in this regard, which each posted a decline in the percentage of its stores retailing automotive products, the APAA said.

Opportunity seen

Jack Robinson, Perry Drugs chairman, recently forecast continued opportunity as the "graying of the U.S. car market" continues. The average U.S. car is 7.5 years old today, compared with 6.5 years in 1980, and the population of cars in the prime repair group should expand 5% a year through 1989, Robinson said.

Anticipating steady growth, Perry has developed three new prototype merchandising configurations for its 5,000-sq.-ft. auto centers in its drug stores. The new look will include a second service counter at the stores' rear to ease customer-clerk interchange. The chain will add higher gross profit and impulse sale items. "We are looking to place more emphasis on service in a better merchandising configuration," said Peterson.

Eckerd presents a wide assortment of car wax, which it emphasizes along with cleaners in key shelf positions. Impulse cleaning cloths and car air fresheners are pegged overhead in its Dallas store.

Customers are lured to the auto accessories area in a Wellby in Portland, Me., discounted oil, to expose them to high-margin pegged impulse items including reflectors, decals and dashboard accessories.

1985 Do-it-yourself department highlights

Chain drug Do-it-yourself sales	$424,501,000
1985 percentage increase	1.0%
Percentage of total chain drug sales	1.5%
Typical gross margins	35% to 45%
Industry profit yield from Do-it-yourself last year	$150,-$190,000,000
Average no. of annual dept. turns	3

1985 Do-it-yourself department productivity

	Total sales (add 000)	% of increase	% of sales
Hardware	$188,561	0.1%	44.4%
Automotive	173,254	2.3	40.8
Paint/paint supplies	62,686	0.5	14.8

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PRODUCTS

Cookie and snack sales hit $95 million in 1985, up 6.6%. Soft-batch cookies were a victim of brand overload, however. Sentry Drug, Westland, Mich., has a large mix of both cookies and snacks.

Although coolers were a bright spot in 1985, stiff drunken driving laws and consumers' health concerns adversely affected sales of alcoholic beverages. Shown is a K & B unit in New Orleans.

Quick-pickup items prevail in food/liquor

Drug stores are still crunching big numbers in snacks and liquor. But retailers note that sales are quieting as consumers turn to other outlets such as convenience stores for their needs.

The early 1980's move toward mini-food combos is now being downplayed by drug chains, who'd rather stress basic drug store departments. The food and liquor mix is being fine-tuned to include only the fastest turning, quick-pickup goods.

Snacks and wine coolers led a 6% jump in sales in 1985 over 1984. These popular items helped drug chains ring up $1.3 billion in liquor and snack sales last year, roughly 4.5% of all drug chain volume.

Last year became the year drug retailers committed to wine coolers. "We were cautious at first," said Tom Robertson, buyer at Perry Drug Stores, "because we thought it could be a fad. Now we know it is here to stay."

What's more, said buyers, cooler sales are strong year-round, not just in summer months. Total cooler volume is now pegged at $800 million, up from a zero base only four years ago. Industry observers predict 48 million cases of coolers will be sold in 1986.

Drug chains are carving space out of wine departments to give coolers a deserved home. The top four brands get the best space: California Coolers, Sun Country, Bartles & Jaymes and Seagram. As with any hot category, an overload of sku's is causing a shakeout. Early victims were Schenley's and Adolph Coor's offerings. Also, buyers warn of an overload of flavors, with a crop of new peach, cherry and tropical brands.

"It is a case of first come, first make money," explained one executive.

Coolers were about the only bright spot in liquor/wine/beer sales last year. Stiff drunken driving laws and the consumers' concern over health dampened alcoholic beverage sales.

In fact, without cooler volume, wine unit movement would have risen only 2%-3%. Within the wine department, buyers noted a shift toward blush wines including Zinfandels and Cabernets.

Imported beers still generate some excitement, with the latest trend appearing to be toward Mexican brews.

Overall, the liquor/wine category produced a 6.3% sales increase in chains last year to $604.5 million. Beer volume swelled 4.2% over 1984 to $81.5 million.

No recap of last year would be complete without mention of the now famous relaunch of Coke. The New Coke debut caused havoc on retailers' shelves, and the relaunch of Coke Classic was another nightmare, according to buyers. Things have calmed now, buyers added, citing the victims in the space war as nondiet, caffeine-free entries. Even all the attention to soft drinks did not push volume any higher than 7.7% last year, to $185.1 million.

The biggest splash, buyers added, is coming from the new soda pop drinks with real juice. Slice and Sunkist kicked off the trend, and they will be joined on the shelves by Seven-Up's new Citrus 7, Coca-Cola's Minute Maid and a juice version of Crush.

Stroh's also has a juice-based entry planned, called Sundance. It is no surprise companies are flocking to juice-based drinks, as PepsiCo's Slice rapidly captured an impressive 2.2% share of the $30 billion soft-drink market in less than two years with only 80% distribution.

Buyers said there is little brand loyalty in soda today, with customers buying whatever is on deal. There has been a move, however, toward two-liter and can packages. The huge three-liter bottle "never made" it, buyers noted.

Nut volume rose 5.3% to $103.6 million in chain drug outlets last year. Chains now stock as much as 8 ft. of nut selections, led by the popular Planters line. Many are looking forward to Eagle Snacks, although some feel the distribution setup may have too many middlemen to make a good profit.

Consumer tastes, buyers say, are getting more adventurous, with people buying more honey-roasted and macadamia nuts.

Cookie and snack sales hit $95 million, up 6.6%. The soft-batch cookies did not produce the anticipated volume—another victim of a brand overload. Nabisco remains a mainstay of any snack department. A winner last year was the company's new Apple & Cherry Newtons.

Ethnic flavoring received a favorable nod from consumers last year, and Frito-Lay plans to capitalize on that move with its new O'Grady's "The Works" chips, as well as Frito's Chili Cheese flavor and Lay's Jalapeno and Cheddar chips.

Canned goods/condiment volume was flat—up only 4% to $57.3 million—as customers turned to local food retailers for these needs. Dry grocery sales inched up 3.5% to $49.5 million.

With the exception of a few chains such as Walgreens, the consensus is that drug store shoppers want to get in and out fast and will not buy too many grocery items.

The key is to have small sizes or even trial sizes of grocery items, which may be picked up on impulse or as a convenience, buyers said.

"We find we do best with pickup items such as a 4-oz. Planters nuts or a crunch," said Robertson. "We also sell a great deal of single-can soda. It's a good walk-in business."

For 1986, retailers said they will be more judicious in their choice of locations for mini-food sections. "Where there is not a local food store, we might put food in," explained one source. "But in the meantime, we're condensing our prototype and getting back to the good old pharmacy fare—prescriptions, health & beauty aids and cosmetics."

1985 Food/liquor department highlights

Chain drug food/liquor sales	$1,280,230,000
1985 percentage increase	5.9%
Percentage of total chain drug sales	4.5%
Typical gross margins	15% to 20%
Industry profit yield from food/liquor last year	$190,-$255,000,000
Average no. of annual dept. turns	12

1985 Food/liquor department productivity

	Total sales (add 000)	% of increase	% of dept. sales
Liquor/wine	$604,496	6.3%	47.2%
Soft Drinks	185,145	7.7	14.5
Nuts	103,563	5.3	8.1
Snacks/cookies	95,020	6.6	7.4
Beer	81,476	4.2	6.4
Canned goods/condiments	57,293	4.0	4.5
Dry groceries	49,464	3.5	3.9
Other foods	103,773	5.2	8.1

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PRODUCTS

Ethnic H&BA products' sales rise 12.5% in 1985

Ethnic health & beauty aids products had a strong year in chain drug stores in 1985.

Nothing particularly dramatic happened to the category in terms of new products or dramatic fashion trends. Yet consumers continued to patronize the category regularly and faithfully, manufacturers kept on advertising their brands aggressively, and retailers continued to reinforce their overall commitment to the catgory with more promotions and better space allocations.

As a result, total category sales for the year were up 12.5% to $200.8 million, while the category racked up about 6.6% of all chain drug toiletry sales.

Hair care is the dominant segment in this category, accounting for approximately 90% of all sales. A. C. Nielsen, which also tracks the sale of ethnic hair care preps (excluding hair color) on the retail level, estimates that total sales for ethnic hair care were up 12% in all drug stores in 1985, while they were down 12% in mass merchandise stores and only up 2% in food store outlets.

In addition to ethnic hair care, which is a billion-dollar-plus category at retail, ethnic H&BA includes cosmetics, shaving needs, skin care and hosiery. Exact dollar sales for all ethnic health & beauty aids are hard to come by, because market researchers find it difficult to isolate the percentage of sales in cosmetics, hair color, hosiery and shaving that are for products exclusively designed for black shoppers, but rough estimates for the total category in 1985 ranged from $1.2 billion to $1.3 billion.

By virtue of hair care's sheer dominance in the category, most of the growth in this segment naturally was coming from hair care lines—in particular relaxers, moisturizers, conditioners, gels and pomades.

The curl kits, which created a revolution in the category in the early 1980's, generating growth then of 50%-70%, have peaked, and although sources reported this category segment is still yielding decent growth rates of between 10% and 15% in dollar sales, it is nothing like it had been.

In a fashion sense, nothing like the curl kits has emerged in this category to maintain the dramatic growth trends of the early 1980's. Instead, the pendulum has swung back to shorter and more natural hair styles for both men and women. The segments benefiting from this new trend are (a) the relaxer kits, (b) the sprays that put a sheen in their hair (c) the gels that make it more manageable, and, oddly enough, (d) the curl activators and moisturizers. tHe latter were originally created as a maintenance product for curled hair but are today finding new life as extraordinarily effective conditioning agents for adding softness and manageability to relaxed and natural hair and curled hair.

Sources said percentage growth, in these segments is all strong, ranging from the low- to mid-teens to the low- to mid-20's.

Outside of hair care, some chains are experimenting with hosiery designed specifically for black women and reporting promising results; others are adding skin toners, creamers and cocoa butter soaps to their ethnic section and reporting good results.

AMBI, a line of skin toners, creamers and soaps made by Kiwi Brands, a division of Sara Lee, is now ensconced in the ethnic sections of chains like Walgreens, Revco and Eckerd, and sales seem to be justifying the placement.

Products introduced

Buyers said the jury is still out on ethnic cosmetics, but there are some distributors and manufacturers who believe cosmetics have some of the potential of hair care, because black women need and want brands that are designed to cater to their specific needs and desires. There are new products being introduced that may spark this category. World of Curls, for instance, which is strong in hair care, is introducing its first line of black cosmetics, called Simply Satin.

Now black male shoppers can often find hair care items designed especially for them, such as the wave kit shown in this Peoples store.

While acknowledging that cosmetics is a tough area to crack, management sources still insist there is a "niche for black cosmetics" and that many black women are simply "screaming" for a high-quality line just because they can't find what they need on today's retail shelves.

In 1986, chain drug store retailers may be ready to evaluate the potential of such new product launches, since 1985 seemed to be a year of consolidating strengths already gained in the category.

More chains started to follow Walgreens' lead and expand ethnic sections to stores that had black traffic, regardless of whether these stores were in black neighborhoods.

Retailers said they're not just putting in ethnic sections based on the residential demographics surrounding stores, but are also taking into consideration working and shopping patterns in their marketing neighborhoods. Even if a store is located in a white residential neighborhood, chains like SupeRx, Revco, Eckerd, Thrift, Peoples and Dart are adding black sections because they know working or shopping patterns will pull black shoppers into those stores.

Chains expanding ethnic sections

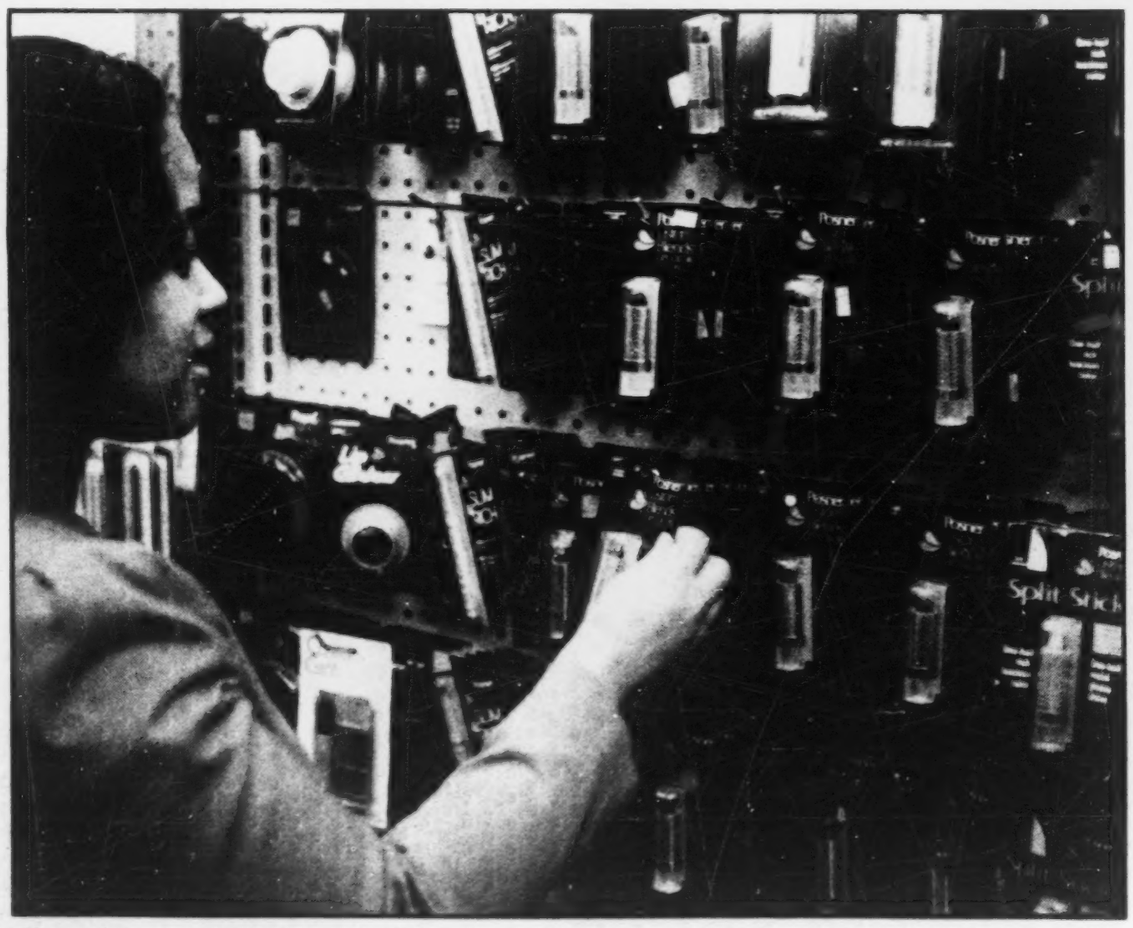
Chains are also expanding their sections as well as the product mix they carry. While Walgreens may still be the only chain that runs ethnic products in every roto, chains like Revco, Eckerd, SupeRx and Perry are promoting ethnic products more and promoting them in different media, such as the roto and newspapers. Revco is even preparing to do co-op advertising on radio, something that industry sources think may be a first for a drug chain.

Thrifty Drug has reportedly become the second major chain to put ethnic sections in all its stores. "What you're seeing," said a source, "is a commitment to the category. Walgreens is telling the black shopper that she can be in any city and yet still find something she wants in their stores. That is a wonderful shopper to cultivate, because black women spend more on cosmetics and toiletries than their white counterparts, plus they also buy other things: toothpaste, stationery, deodorants. Ethnic sections are great ways to build traffic."

Retailers are also making overtures to manufacturers, trying to learn the category better, and are also challenging their distributors to help them determine specifically what the best sellers are and where the section should be within the store.

Distributors are still very important to the chains, but the success of buyers like Richard Robinson, who buys direct for Walgreens, and Ellis Jones, who is now buying for Revco and who worked directly with many manufacturers to learn the category when he was with Eckerd, are creating a new trend designed to put the retailer more in control of the ethnic departments within his stores.

Continued on page 86



Many buyers say the jury is still out on ethnic cosmetics, but others believe it has the potential of ethnic hair care products.

THE 1986 ANNUAL REPORT OF THE CHAIN DRUG INDUSTRY

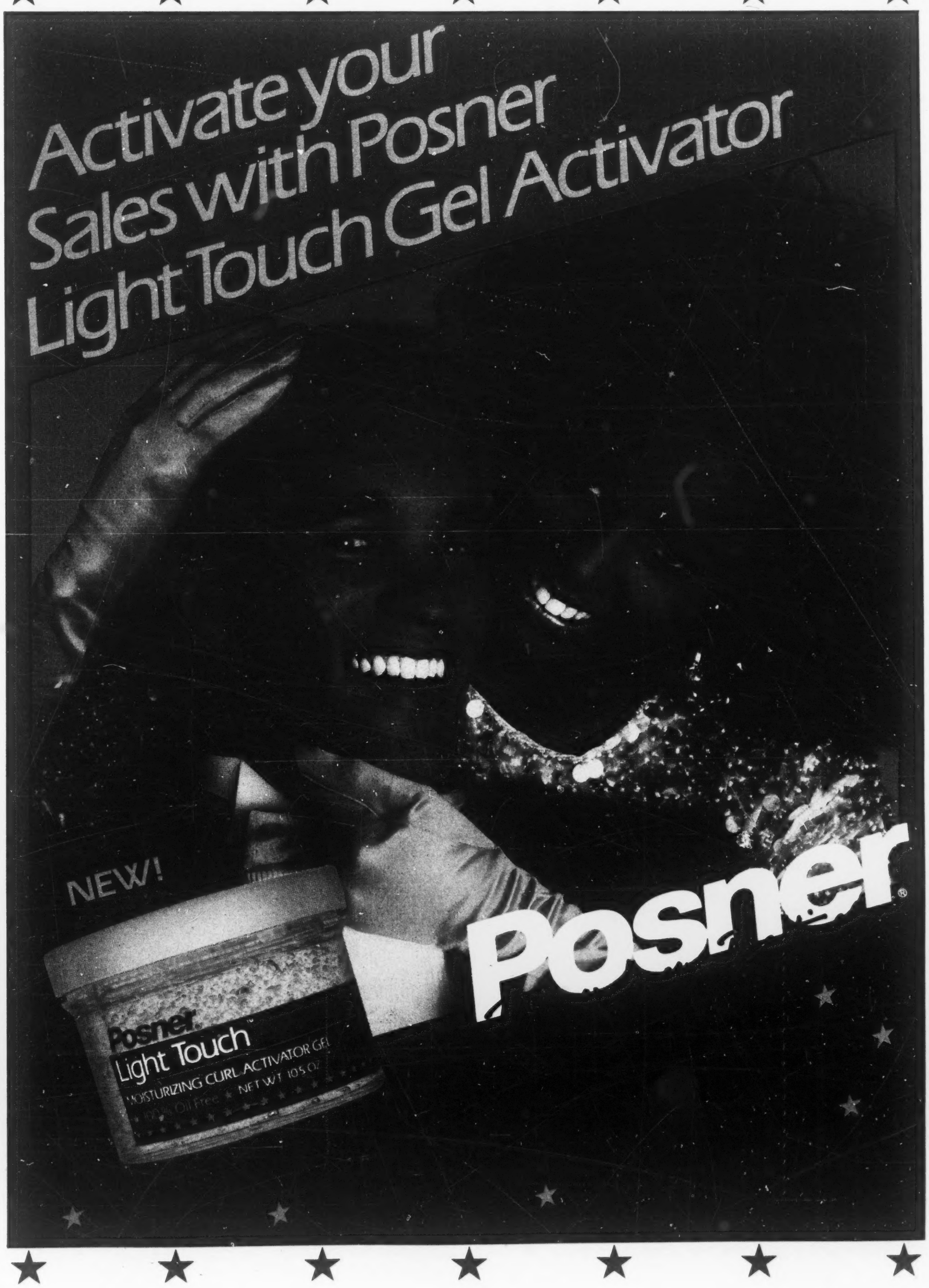
PRODUCTS

Ethnic hair preps: Annual dollar sale trends (millions)*

	Drug stores		Food stores		Mass merchandisers		Total	
	$ sales	% change	$ sales	% change	$ sales	% change	$	%
1981	$100	72%	$38	12%	$28	65%	$166	52%
1982	124	24	45	18	41	46	210	27
1983	138	11	58	29	44	7	240	14
1984	157	14	66	14	26	(41)	249	4
1985	176	12	67	2	23	(12)	266	7

*Retail sales only excluding beauty and barber shops.
Source: A. C. Nielsen

Most growth in the ethnic category has come from relaxers, moisturizers, conditioners, gels and pomades.



Ethnic

Continued from page 85

Manufacturers, too, are trying to help retailers do a better job by staging seminars that give white buyers, cosmeticians or store managers more insights into what black customers need and what they should be buying for their needs.

Manufacturers are also doing more couponing and rebate promotions, and some, like World of Curls, are staging sweepstakes promotions that are modeled after the successful sweepstakes done by such major general market manufacturers as Procter & Gamble.

In general, the outlook for ethnic H&BA sales in drug stores is even more promising for 1986 than it was for 1985. One cloud on the horizon, however, is competition from food and mass merchandise stores, which so far have neglected or underutilized the category

In 1985 and early 1986, there were signs that both food and mass-merchandise chains were rediscovering the potential of his high-margin, billion-dollar segment. Drug stores still had the best overall category increases in 1985, but mass-merchandise stores improved their total category performance over 1984, and food chains hit what some think is the bottom in terms of declining sales.

Both segments are talking to distributors and manufacturers, trying to get a leg up on this category, and drug chains might see some competition coming from their ranks in the near future.

In anticipation of that, retailers and distributors say they believe chains will continue to beef up their visibility in this segment by expanding ethnic sections, rolling them out into more stores, aggressively promoting more products, stressing better and more competitive day-to-day prices, and working to provide better sales service at the point-of-sale.

Special report:

Ethnic products—p. 17

Inside Pharmacy:

House aims to curb drug diversion—p. 45

Merchandising Trends:

Convenience pulls customers to drug store card depts.—p. 40

DRUG STORE NEWS

Vol. 8/No. 12 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. May 26, 1986

New suitor on horizon?

Rumors stalk Revco buyout

By Dave Vaczek

TWINSBURG, Ohio — The proposed leveraged buyout of Revco by the company's management was plunged into uncertainty amid rumors that a competing bid would likely emerge.

Speculation that a new suitor for Revco might be preparing an offer sent the chain's stock soaring almost four points above the standing bid of $36 a share. Wall Street analysts, however, were skeptical that anyone would pay the current price.

Revco stock jumped as high as 39⅝ on May 6 in the wake of a report that the Dart Group had unsuccessfully proposed to join the $1.16 billion buyout. Speculation that the Haft family, Dart Group's owners, will now respond with their own offer added impetus to the stock price, which closed May 9 at 39. The price has climbed steadily from its $32 level at the time of the March 18 LBO offer, under heavy trading. Wall Street analysts said arbitrageurs account for most of the trading, as they believe an enhanced offer is a likely prospect, either from a different suitor, such as the Hafts, or a new offer by the management group. Jamie Securities, a New York securities firm, reported in a filing with the Securities and Exchange Commission that it acquired a 7.3% interest in Revco for arbitrage purposes.

"The stock's not worth $36

See **Revco,** *page 54*

Walgreens eyes Northeast push

Medi Mart takeover seen as wedge

By Al Heller

DEERFIELD, Ill. — Walgreens will use its imminent takeover of 66 Medi Mart sites to set up a New England network and combine it with added stores in New York to form a Northeastern marketing umbrella.

The acquisition, estimated by Wall Street sources at $75 million, is due to be concluded by July 1.

The nation's No. 1 chain reportedly beat out CVS, Rite Aid, Supermarkets General and American Stores' Osco—all operating in that region—in a bidding war. Market sources said CVS president Harvey Rosenthal felt so close to acquiring the chain that he nearly canceled his trip to this month's NACDS convention, though he wouldn't confirm or deny this. Adams reportedly had no interest because Medi

See **Walgreens,** *page 54*

Founder Jack Eckerd (right) and ceo Stewart Turley (center) reminisce with Delos Penney, a shareholder present at Eckerd's first public meeting in 1961.

Eckerd LBO approved

TAMPA, Fla. — Jack Eckerd Corp. shareholders overwhelmingly approved the leveraged buyout of Eckerd by an investment group led by Merrill Lynch Capital Partners and members of management.

At the annual shareholders' meeting held at the Airport Marriott Hotel here, shareholders voted to accept the cash offer of $33 a share of common stock, or a total of more than $1.2 billion. It was the largest sum ever paid for a pure drug chain.

Stewart Turley, chairman and ceo, told reporters after the meeting that the transition of Eckerd from public to private company would not have any effect on"the way we run our stores."

But he did say that the change would help to alleviate the "diversionary" pressures of having to "look over our shoulder to see if some predator is after us." He said that factor was especially important to "the people in our stores for whom last year's move by the Dart Group to put Eckerd "in play" by acquiring 5% of its stock was "distressing." A company is said to be put in play when a hostile offer forces its sale either to the hostile bidder or a "white knight" at a premium price.

Turley also said that the company had "no specific plans" to sell off stores to help pay down the debt incurred in the leveraged buyout. "This is a cash-

See **Eckerd,** *page 54*

Three acquisitions stretch Alco's Eastern market

By Marjorie Shaffer

VALLEY FORGE, Pa. — Alco Health Services is tightening its grip on the Eastern market with a series of acquisitions in contiguous marketing areas stretching from Florida to Michigan.

Since the company became public in August 1985, Alco has acquired three regional wholesalers that primarily operate in states east of the Mississippi River. The takeovers increase Alco's revenues to more than $1.3 billion annually and place it in a strong position to overtake FoxMeyer as the third largest wholesaler in the country.

Alco now operates in 24 Midwestern, Southeastern and Eastern states, from 26 warehouses. It is not active in the Southwest, the West Coast, and New England—all of which are regions in the United States where the cash-rich Alco will likely cast its net in the future.

The agreement to buy L. S. DuBois Son and Co. for an undisclosed amount of cash and

See **Alco,** *page 54*

Freddy's unveils another deep discount unit in Fla. See page 15

Drugs returned to market after public outcry See page 47

New pillboard refills the bill

Drug Emporium's sign gets facelift

PHOENIX — Drug Emporium of Arizona is remaking its image on the road.

An update of its billboard here (above), judged the nation's best in retail and winner of the 1985 Obie Award, is set for this month.

The capsule sign will become a prescription vial (below) with a longer sell message that can still be conveyed in the 2.5 seconds it takes a car traveling 60 miles an hour to pass.

Both signs were created for the deep discounter's oldest independent franchise by the Boyd & Farmer agency. The winning sign has been up since last

See **Pillboard,** *page 54*

Thrift joins Acme in frequent buyer promo

PHILADELPHIA — Thrift Drug has teamed up with American Stores' Acme supermarkets for a 6-month-long joint promotional program to run through late summer in the Greater Philadelphia Area.

Acme isn't necessarily relinquishing its H&BA business by sending customers to Thrift, as the customers must first visit the Acme stores where coupons are issued. Thrift, which may be losing some traffic to Acme, expects to make up for it as a result of the grocery customer business channeled its way via Acme, and the sales gains resulting from the programs' strong advertising umbrella.

And if Thrift didn't participate, it risked seeing another drug chain pick up the promotional traffic.

Participating Thrift stores in Pennsylvania, New Jersey, New York, Maryland and Delaware are offering $1 off each purchase of $10 or more, plus additional bonuses, as part of the "frequent buyer" program.

Thrift is involving 150 stores in the promotion, but is just one of 2,000 retailers participating with 300 Acme stores, which is heading the program organized by Food World of Atlanta. Acme issues coupons to be pasted in a book and redeemed for discounts at "associate" stores.

Food World's last major frequent-buyer promotion was in Houston last year, where Eckerd was one of nine retailers to accept coupon books from Rice Food Markets shoppers.

Acme stores give a customer one book's worth of coupons with the purchase of $40 in groceries. Besides the $1 discount, Thrift is offering a free 12-week supply of calcium tablets and private-label Treasury paper towels as additional bonuses. Food World redeems a percentage of the lost income from the markdown.

The market-share-building program should boost each store's sales during the promotion, said George Vickerman, Food World executive vp.

Acme should draw new customers who already shop at the associate stores. The associate stores pick up Acme's large traffic counts, and are included in ads placed by Food World. Media include television, newspaper circulars and ads, in-store signage, and coupon books.

A Thrift manager in New Jersey adjacent to an Acme said the store was receiving 20 to 50 coupon books a week, but that it was difficult to gauge sales because the store was already ahead of last year's pace.

NEWS IN BRIEF

McKesson O.K.'s shareholder rights

SAN FRANCISCO — McKesson Corp. said its board adopted a shareholder rights plan to block any hostile takeover attempts.

The plan calls for the distribution of preferred stock purchase rights as a dividend at the rate of one right for each common share held as of May 29. The plan "is designed to deter coercive or unfair takeover tactics and to prevent a buyer from gaining control of the company without offering a fair price to all" shareholders. The rights expire May 29, 1996.

"The plan is not intended to prevent an acquisition" based on "favorable and fair" terms to all holders, said chairman and ceo Neil E. Harlan.

In an unrelated matter, McKesson has entered a joint venture with Provigo Health and Pharmaceutical Group of Montreal to distribute home health care equipment and supplies in Canada.

Cardinal buys Daly stock

DUBLIN, Ohio — Cardinal Distribution has completed its purchase of James W. Daly stock and has agreed to lease Daly's distribution center in Peabody, Mass., from a private real estate partnership made up of Daly family members.

Plans call for Daly to continue operating as a separate entity under its own name and for current management to stay.

Thrifty acquires The Guild

LOS ANGELES — Thrifty Corp. completed its acquisition of The Guild, its three subsidiaries and all other interests. The Guild operates 13 Guild Drug stores in Los Angeles and Orange counties.

Thrifty's new drug chain, Thrifty Jr., will operate a total of 27 Guild Drug and recently acquired Drug King stores under the Thrifty Jr. banner. New stores to be added in coming months are expected to raise the roster of Thrifty Jr. stores to 40 by year's end, the company said.

In a separate matter, Thrifty became the latest major drug chain to pull adult magazines *Playboy, Penthouse* and *Playgirl* from all stores. The corporation runs 555 Thrifty drug and discount stores and 27 Thrifty Jr. drug stores.

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Vol. 8, No. 12 May 26, 1986

Associated/Affiliated meet in NY

NEW YORK — Merchants from nearly 100 drug chains were preparing to attend the combined Associated/Affiliated spring buying show at the Omni Park Central Hotel here.

The show runs from May 19-22 and is scheduled to include exhibits from about 115 vendors showing 450-500 general merchandise lines. Health & beauty aids and cosmetics also are to be displayed.

First-time exhibitors this spring include North American Phillips, RCA, Pennzoil and Sergeant's Pet Care.

On Monday, May 19, Associated Chain Drug Stores has its membership meeting, chaired by Bill Saxon, vp at L. F. Widmann. Presentations that afternoon concern importing, photo merchandising, creating an in-store radio network and small store merchandising.

That same day, Affiliated holds its traditional "What's good with you" session, during which members present about 200 different merchandise items and ideas that have been successful in recent months.

Also scheduled is a panel discussion about buying plans for the fall and a presentation on H&BA and cosmetics.

Drug Store News pharmacy editor Harold Cohen moderates an afternoon panel on competing against HMOs and PPOs.

On Tuesday, May 20, at the Omni, Associated members may visit exhibitors on the fourth floor, and Affiliated members may see vendors on the fifth floor. That's reversed on Wednesday, May 21. On Thursday, May 22, the two floors are open to both.

Affiliated is also hosting a separate show for its members during the prior three days, May 16-18, at its 15 E. 26th St. offices.

Chains merchandise Expo '86

VANCOUVER, B.C. — London Drugs Ltd., is underscoring its health commitment by spending an estimated $250,000 to sponsor seven first aid stations at Expo '86 during its 165-day run through October.

The only reference to London is the chain logo, identifying its sponsorship.

Of the nearly 20,000,000 visitors expected for Canada's World Fair here, up to 70,000 are anticipated to require medical help.

The first-aid stations have three physicians, six registered nurses, seven emergency vehicles and three ambulances.

"We don't expect any long-range benefits from visitors outside British Columbia," said Mark Nussbaum, senior vp of London, "but we're hoping the good will will rub off on British Columbia residents. However, our No. 1 goal is to reduce the number of deaths. Statistics of previous World Fairs reveal an average of 27 people die from heart attacks [usually induced by physical exertion] during each event. The way our services are organized, we feel that no more than five will die. What better way to make this event meaningful from a health service standpoint than to save 22 lives?"

Meanwhile, Shoppers Drug Mart, with 63 stores in British Columbia, is taking a different tack by sponsoring parking and traffic information (every four minutes) on two radio stations. Shoppers stores are also offering free parking maps that show the location of all of the parking lots in the city.

Pharmasave, a 90-store British Columbia-based drug chain, got on the promotional bandwagon early be giving away 400 tickets six months before Expo started.

Drug stores in the Vancouver area are expecting a bonanza in volume during the 165-day event, which began in May. Although drug retailers won't make any specific projections, they point to these positive indicators:

- Fifty-four countries are participating—twice the number of the two previous World Fairs (Knoxville, Tenn., in 1982 and New Orleans in 1984).
- Twenty-two million tickets have been sold and more than 130,000 daily visitors are expected.
- Expo '86 is the first major fair in North America in which the United States, the Soviet Union, and China are taking part.

Simon Parry, marketing manager of Boots Drug Stores, predicted: "It will be a staggering success—the most successful Worlds Fair of all time."

Still, none of the glowing statistics are being converted to blockbuster promotions—because drug store operators don't want to "eat" carryover after this one-time event.

Peoples' park promos target their consumers

ALEXANDRIA, Va. — A big difference exists between drug chain efforts to tie into special events such as Vancouver Expo and the Peoples Drug Stores program to run promotions at Hersheypark in Pennsylvania and Kings Dominion in Richmond, Va.

People's sponsorship of first aid stations at both parks mostly reaches families who live in their markets; the others are more one-shop exposures to transients who visit from many parts of the globe.

Peoples spokesman Joe Pollard said its sponsorship "fosters our health image and is a minor part of our promotional budget." Further, it ties into half-price tickets to both parks distributed in Peoples stores, special admission rates for chain employees to both parks and provides additional outlets for use of Peoples private-label merchandise.

The chain's latest four-week-long ticket promo generated "more than 10,000 half-price coupons," Pollard said.

FINANCIAL

Alco Health 2nd quarter net earnings rise 36%

VALLEY FORGE, Pa. — Alco Health Services Corp. reported 36% higher net earnings and a 29% gain in revenues in its second quarter ended March 31.

Net income rose to $3.3 million in the period, up from $2.4 million a year earlier, on revenues of $300.5 million, up from $232.3 million.

Six-month gains were comparable on a percentage basis. Net income rose 29% to $7.6 million, up from $5.8 million in the year earlier half. Revenues were up 27% to $586 million, from $461 million in the comparable period a year ago.

President Joseph B. Churchman said profit margins "continued to be under some pressure," but that the first half "was consistent with the business plan," and fiscal 1986 results should be "well ahead of 1985."

McKesson sales, net up

SAN FRANCISCO — McKesson Corp. reported gains in revenues and net income for the fiscal year and fourth quarter ended March 31.

Full-year revenues rose to $6.3 billion, up from $4.9 billion in the prior year.

Net income for the full year climbed to $77.9 million from $64.2 million in the prior fiscal year.

The distributor's fourth-quarter net income rose 32%, to $19.8 million, from $15 million a year ago.

Bindley has 39% 1st-quarter income rise

INDIANAPOLIS — Bindley Western Industries reported 39% higher net earnings on a 9% sales gain in the first quarter ended March 31.

Sales rose to $168 million, up from $154 million in the same quarter a year earlier. Net earnings climbed to $1.71 million, from $1.23 million in the comparable 1985 quarter.

Approximately $1.9 million in expenses included $150,000 of unusual items related to grand jury investigations.

Med Shoppe has 2nd qtr. net gain

ST. LOUIS — Medicine Shoppe International reported a 22% net earnings rise, to $847,870 from $697,084 a year earlier, in the second quarter ended March 31.

For the six months, net income climbed 18% to $1.65 million from $1.40 million a year earlier.

Meantime, retail sales at franchised pharmacies were up 23% in the second quarter to $64.3 million, compared with $52.1 million last year.

Six-month sales were up 22% to $125.4 million, compared with $103.1 million in the comparable 1985 period.

From 04/18/86 - 05/05/86

Name	Symbol	STOCK PRICE High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	TREND TO MARKET Price Trend (% per day) Last 30 Days	Price Trend Last 5 Days	Volume Trend (% per day) Last 30 Days	Volume Trend Last 5 Days	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt		5-Year Annual Growth Rate	Profit Margin	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. rate Amt.	Indicated Dvd. rate Yield	Last X-Dvd. Date	FINANCIAL POSITION Last Fiscal Year Revenue	Last Fiscal Year Earnings	Current Ratio	Last Fiscal Year (Per Share) Long Term Debt	Last Fiscal Year (Per Share) Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																										
Am Stores	ASC	61.75	57.25	57.75	-3.88	-6.29	68.25	52.13	-.18	-.02	-.64	4.51	4.11	-1.60 F	-28.0	30.0	1.1	14.1	.84	1.5	03-24-86	13889.5	154.5	1.2	37.93	21.40
Begley Co	BGLY	21.50	21.50	21.50	.00	.00	23.50	15.50	-.16	.24	2.17	-61.06	1.26	.50 N	42.7	10.0	1.1	12.9	.72	3.3	04-15-86	66.1	.7	1.7	13.77	18.84
Big B	BIGB	16.50	15.13	16.25	1.88	13.04	19.50	12.63	.40	-.22	2.30	8.47	.61	-.07 F	-10.3	21.0	2.3	26.6	.00	.0	09-21-83	175.4	4.0	2.3	1.20	4.58
Drug Sys	DRGS	5.50	5.00	5.25	-.25	-4.55	6.13	3.75	.19	.96	.83	15.50	.35	-.97 N	-100.0	NC	1.2	NE	.50	9.5	01-06-86	104.7	1.3	3.2	1.13	6.18
Eckerd, Jack	ECK	33.00	32.75	33.00	.13	.38	33.00	22.38	.07	.31	-2.18	-85.05	-.22	-3.13 S	-100.0	NC	-.3	NE	1.04	3.2	03-03-86	2508.5	-8.3	1.6	2.64	14.49
Fay's Drug	FAY	10.50	10.00	10.38	.00	.00	11.75	8.00	-.22	.12	-1.90	-.48	.20	-.42 F	-67.7	21.0	.6	51.9	.20	1.9	03-21-86	445.1	2.8	1.8	1.65	4.28
Genovese Drug	GDX	15.00	13.25	14.63	1.13	8.33	15.00	9.13	.14	.67	1.68	24.80	.73	-.30 F	-29.1	39.0	1.2	20.0	.20	1.4	04-08-86	233.2	2.9	1.7	2.06	5.73
Longs Drg Strs	LDG	35.38	30.50	33.00	-2.25	-6.38	35.38	24.75	.22	-.06	-2.97	4.91	1.74	-.14 F	-7.4	8.0	2.5	19.0	.72	2.2	02-26-86	1480.8	37.7	1.9	.00	13.33
Medicare Glaser	MGCO	4.25	3.75	4.00	-.50	-11.11	5.25	3.75	-.23	-.95	4.52	30.16	.05	-.49 N	-100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Medicine Shoppe	MSII	26.00	24.50	26.00	1.13	4.52	26.00	21.00	.00	.82	-3.57	-11.53	.84	.14 S	18.2	47.0	22.4	28.6	.00	.0	00-00-00	13.4	3.0	9.2	.00	5.08
Perry Drug	PDS	18.63	17.00	17.75	.63	3.65	18.75	12.59	.39	-.18	1.50	4.39	.98	.18 Q	22.2	16.0	1.8	17.9	.22	1.2	02-20-86	521.6	9.6	2.0	9.77	7.79
Revco Drug	RDS	39.63	36.75	39.63	2.63	7.09	39.63	23.13	.42	1.64	4.52	54.58	1.06	-1.01 N	-51.3	-6.0	1.6	41.3	.80	2.0	02-19-86	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	31.75	30.00	31.50	-.25	-.79	32.25	21.50	.08	.36	.57	.69	1.52	-.17 F	-10.1	8.0	4.0	20.7	.58	1.8	04-14-86	1564.1	62.5	1.9	2.02	8.58
Thrifty Cp	TFD	27.88	24.75	26.00	-1.25	-4.59	29.88	18.13	-.51	.05	-.40	-9.89	1.60	.13 S	8.6	16.0	2.3	15.8	.64	2.5	05-05-86	1404.9	31.9	1.7	5.86	6.85
Walgreen Co	WAG	36.38	32.63	34.38	-.50	-1.43	36.38	22.50	.05	-.35	-.16	20.54	1.53	.14 S	9.4	19.0	3.0	21.1	.50	1.5	05-15-86	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																										
Alco Hlth	AAHS	24.88	23.50	24.88	1.13	4.74	24.88	12.75	.22	.24	-2.56	20.11	1.10	1.19 S	NC	NC	1.4	20.9	.00	.0	00-00-00	955.4	13.0	1.7	.07	8.38
Bergen Bruns	BBCA	32.38	30.50	30.88	-1.13	-3.52	37.25	24.50	-.39	.08	.67	16.61	1.82	.20 S	12.4	14.0	1.0	17.1	.32	1.0	01-28-86	2434.9	24.2	1.7	11.12	12.07
Bindley Wstn	BIND	11.88	10.38	11.75	.75	6.82	15.00	7.75	-.21	.56	5.02	-8.77	.79	.10 Q	13.2	21.0	.8	13.7	.00	.0	05-01-85	626.9	5.2	2.3	8.51	6.30
Cardinal Distrb	CDIC	24.50	23.00	23.25	-1.25	-5.10	25.25	14.22	-.36	.13	2.54	-20.19	.92	.42 N	46.7	NC	1.2	17.6	.08	.3	03-25-86	320.0	3.7	1.7	.85	8.04
Durr Fillauer	DUFM	14.00	13.88	14.00	-.25	-1.75	15.25	9.25	-.35	.42	-5.32	10.53	.78	.01 Q	1.3	12.0	1.4	17.5	.16	1.1	05-19-86	427.1	6.1	2.7	5.30	6.69
Ketchum	KCH	20.38	18.50	19.00	-1.00	-5.00	23.25	14.44	-.24	.24	-2.20	5.98	.56	-.01 N	-2.2	NC	.2	43.2	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	59.25	54.75	55.38	-2.13	-3.70	61.25	42.50	-.34	-.21	-2.01	-14.27	3.96	.36 F	10.0	.0	1.2	14.0	2.40	4.3	02-25-86	6285.0	77.9	1.5	12.99	30.40
Moore Med	MMD	20.88	19.50	19.75	.13	.64	24.25	13.66	-.61	-.20	-.15	17.84	1.45	.43 F	42.2	17.0	2.5	13.6	.00	.0	05-23-85	147.9	3.7	3.3	2.45	5.25
Owens & Minor	OBOD	18.38	17.50	18.13	.13	.69	20.25	12.84	-.50	.04	1.69	-4.61	1.14	.10 Q	9.7	16.0	1.2	16.0	.28	1.5	03-14-86	367.3	4.4	2.6	7.15	9.34
Manufacturer's transactions																										
Abbott Labs	ABT	91.50	84.38	87.38	-3.75	-4.12	91.88	52.00	.16	-.09	-1.10	10.00	3.88	.61 Q	17.6	17.0	13.8	21.5	1.68	1.9	04-09-86	3360.3	465.3	2.1	3.70	15.64
Am Home Prod	AHP	88.38	81.75	82.00	-4.88	-5.61	88.38	54.75	.27	-.56	-.02	6.27	4.70	.36 Q	8.1	10.0	15.3	17.0	3.10	3.8	02-07-86	4684.7	717.1	3.4	.00	15.19
Baxter Travenol	BAX	19.75	18.13	18.75	-.50	-2.60	19.75	12.38	-.03	-.03	-1.31	8.24	.85	.64 F	304.8	-14.0	5.8	22.1	.40	2.1	03-11-86	2355.0	137.0	1.9	12.21	9.86
Block Drugs Co	BLOCA	24.00	22.25	24.00	1.50	6.67	26.25	15.06	-.06	.13	2.16	-11.89	1.70	.22 N	13.6	12.0	10.5	13.0	.50	2.1	02-25-86	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	25.25	23.38	24.00	.13	.52	25.25	12.00	.51	.13	1.19	19.63	.71	.10 F	16.4	22.0	17.7	33.8	.05	.2	02-24-86	38.4	6.8	6.5	.00	4.42
Bristol-Myers	BMY	81.88	74.25	77.63	-1.13	-1.43	81.88	53.63	.11	-.04	.16	7.64	3.86	.42 Q	11.8	13.0	12.0	19.6	2.20	2.8	03-31-86	4444.0	531.4	2.5	.83	17.75
Carter-Wallace	CAR	66.25	57.50	60.75	.38	.62	66.25	32.38	-.05	-.19	-.18	31.88	2.66	.86 N	32.8	21.0	5.9	17.5	.60	1.0	04-14-86	348.8	20.7	2.2	1.53	23.37
Forest Labs	FRX	38.63	32.00	36.75	-1.50	-3.92	39.38	21.13	-.19	1.89	1.40	-20.51	.73	.40 N	70.2	16.0	17.4	37.9	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90
ICN Pharm	ICN	12.75	10.75	10.88	-1.25	-10.31	15.63	8.50	-.81	-1.41	2.18	49.37	-2.10	-2.11 Q	-100.0	NC	-29.1	NE	.00	.0	00-00-00	62.8	-18.3	2.7	5.08	3.00
Key Pharm	KPH	19.38	17.50	18.25	.13	.69	19.38	7.13	.19	-.31	-1.35	-28.62	-.02	-.57 Q	-93.4	NC	-.5	NM	.00	.0	09-09-85	152.1	-.8	3.4	2.52	1.60
Lilly Eli Co	LLY	74.00	66.38	69.38	-3.63	-4.97	76.25	39.06	-.31	.37	-3.23	16.01	3.69	.31 F	9.2	11.0	15.8	18.8	1.80	2.6	05-09-86	3270.6	517.6	1.9	1.71	17.12
Lee Pharm	LPH	25.00	15.63	24.50	7.00	40.00	25.00	4.63	.80	8.43	7.09	33.78	.40	.27 S	87.1	NC	6.6	42.2	.00	.0	00-00-00	12.2	.8	3.1	.00	2.49
Leiner P Nutri	PLIN	14.75	14.00	14.00	-.25	-1.75	15.00	8.25	.02	-.81	-4.20	31.82	.78	-.10 N	-12.5	NC	4.1	20.0	.00	.0	00-00-00	53.6	2.2	2.5	.00	4.90
Marion Labs	MKC	69.75	62.50	64.75	-2.00	-3.00	69.75	31.25	.19	-1.12	2.13	11.36	.94	.45 N	52.9	41.0	12.2	49.8	.36	.6	03-14-86	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	180.50	170.00	175.50	-4.50	-2.50	183.00	102.25	.12	-.05	-1.41	8.10	7.58	1.15 Q	16.8	7.0	15.2	21.9	3.60	2.1	02-27-86	3547.5	539.9	1.9	2.43	37.54
Morton Thiokol	MTI	38.25	35.13	36.00	.50	1.41	40.50	30.00	.08	.24	-3.85	45.18	2.50	-2.66 N	-67.9	13.0	6.7	28.6	.70	1.9	02-14-86	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYL	27.13	22.25	24.00	.25	1.05	27.13	13.50	.41	-2.08	-.31	-2.25	.86	.34 F	65.4	79.0	25.6	27.9	.10	.4	12-27-85	80.8	20.7	5.9	.09	1.22
Newport Pharm	NWPH	7.50	6.88	7.00	-.88	-11.11	14.50	6.25	-.20	.06	-.18	29.42	.05	-.08 N	-100.0	NC	6.7	NE	.80	11.4	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	17.25	14.75	17.25	1.25	7.81	23.25	14.25	-.20	1.54	8.96	1.64	.47	.00 Q	.0	76.0	14.1	35.9	.00	.0	00-00-00	21.3	3.0	2.2	.92	2.33
Pfizer Inc	PFE	64.88	58.50	61.38	-2.50	-3.91	64.88	43.75	.09	.63	.44	9.65	3.44	.35 Q	10.9	16.0	14.4	17.3	1.64	2.7	01-27-86	4024.5	579.7	2.2	1.97	17.87
Reid Prov Labs	REID	11.00	10.50	10.50	-.38	-3.45	11.00	4.00	-.18	.24	-5.51	.00	.13	.06 S	46.2	28.0	6.0	55.3	.04	.4	12-06-85	16.6	1.0	3.1	.02	.92
Robins, AH	QRAH	13.63	11.13	11.63	-1.88	-13.89	20.38	5.50	-.58	-2.07	5.70	2.05	2.53	20.78 Q	NE	NC	8.7	4.5	.00	.0	11-19-84	706.1	61.4	1.7	.47	-5.23
Rorer Group	ROR	39.50	37.50	38.50	-.75	-1.91	47.00	29.50	-.13	.40	1.18	-7.29	1.72	-.21 Q	-10.1	1.0	10.9	20.6	1.12	2.9	05-05-86	338.1	36.8	1.5	1.72	12.29
Scherer RP Co	SCHC	13.13	12.38	12.50	-1.13	-8.26	16.50	10.75	-.01	-.25	-2.30	12.68	-.43	-.96 N	NE	NC	-2.0	NE	.32	2.6	03-07-86	167.4	-3.4	1.7	4.07	9.72
Scher Plough	SGP	75.00	67.25	69.63	-1.38	-1.94	75.00	44.00	.13	-.69	.64	15.60	3.77	.43 Q	12.2	-1.0	10.0	17.6	1.80	2.6	04-28-86	1927.1	192.6	1.6	4.04	28.59
Squibb Corp	SQB	106.00	92.75	97.63	-1.13	-1.14	106.00	59.13	.04	.92	-1.55	.80	4.20	.64 Q	17.0	26.0	11.1	22.1	1.76	1.8	02-14-86	2041.7	226.6	2.1	3.52	27.41
Sterling Drug	STY	47.13	43.00	44.50	-2.00	-4.30	47.13	29.50	-.04	-.35	3.07	19.81	1.83	-.51 Q	-21.2	-2.0	6.3	23.4	1.32	3.0	05-02-86	1753.7	109.7	2.2	1.47	15.75
Syntex Corp	SYN	59.13	54.75	57.88	-.50	-.86	59.13	28.88	-.01	.17	-.52	-11.06	4.65	3.11 S	154.7	29.0	15.8	11.3	1.20	2.1	02-10-86	948.5	150.0	2.3	2.77	10.83
Thompson Med	TM	19.50	16.75	18.00	1.00	5.88	19.50	11.75	.62	1.50	2.49	28.77	1.18	-.75 Q	-39.5	8.0	8.1	15.7	.40	2.2	03-24-86	136.8	11.1	5.5	.00	7.43
Upjohn Co	UPJ	90.25	79.38	90.00	8.00	9.76	90.25	45.69	.09	1.90	2.97	-19.49	3.29	.85 Q	32.6	3.0	10.1	26.0	1.52	1.7	05-02-86	2017.2	203.0	2.1	6.08	20.88
Warner-Lambrt	WLA	59.38	53.88	55.13	-.88	-1.56	59.38	33.75	.08	-.46	-.22	-8.03	-4.05	-6.83 Q	-100.0	NC	-9.9	NE	1.56	2.8	02-03-86	3200.1	-315.6	1.4	4.47	11.12
Zenith Labs	ZEN	36.63	29.25	30.13	-3.38	-10.07	36.63	17.38	.06	-3.80	2.46	42.76	1.46	1.18 F	421.4	87.0	19.5	20.6	.00	.0	06-19-85	80.5	15.7	3.7	.17	3.41

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes: NA - Not Applicable; NC - Not Calculable; NE - Negative Earnings; NM - No Meaningful Figure; Q - First Quarter; S - First 6 Months; N - First 9 Months; F - Fiscal Year

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MERCHANDISING TRENDS

Drug stores test ways to firm ethnic H&BA lead

By Liz Parks

Drug store operators in 1986 are experimenting with a variety of strategies to exploit the traffic-building opportunities of the billion dollar-plus ethnic health & beauty aids category while still maximizing its profit potential.

As food and mass merchandise stores step up their own merchandising commitments to this fast-turning, high margin category, drug store operators are trying to consolidate their market share dominance by implementing programs designed to capture and hold the loyalties of black shoppers.

Most of the major drug chains have begun programs to build up the "visibility" of their ethnic department. Many are also trying to create a new price image by using promotional strategies that position their drug stores as "the place to buy major ethnic brands at competitive prices."

Starting in 1985 and continuing strongly into 1986, drug chains, in particular, have been doing the following:

- Expanding the overall size of ethnic sections.
- Adding variety to the product mix.
- Putting sections into stores with high counts of black traffic, rather than restricting the sections to stores in black residential neighborhoods.
- Promoting the category more aggressively and using a variety of advertising media, including rotos, radio, direct mail and select TV as well as newsprint ads.
- Adding new categories to supplement the basic hair care lines: ethnic cosmetics, skin care toners, creamers, hosiery, shaving preps, lip and nail care items.
- Cross-merchandising the category; giving secondary placement to hosiery, skin toners, shaving preps, hair colors and such in the general market sections.
- Staging more in-store promotions and product demonstrations on high-traffic days.
- Discounting more to offset competition from food, mass merchandise and deep discount drug stores; wholesale clubs; and the ubiquitous beauty and barber shops that seem to be springing up everywhere.

1985 Total black consumer H&BA purchases: $2.5 billion

Category	% of purchases	Dollar volume (000,000)
Hair care	41%	$1.025
Toilet preparations	23	575
Fragrances	13	325
Cosmetics	10	250
Dentifrices	8	200
Shaving preps	2	50
All others	3	75
Total	100%	$2.500

Source: Business Trends Analysts and AHBAI

- Taking advantage of manufacturer bonus packs and free trial-size packs to advertise "value" without sacrificing traditional 40% margins.
- Using manufacturer and distributor reps to train and inform salesclerks, cosmetologists and others responsible for in-store selling.
- Using product movement information to trim out slow sellers and improve turns.

Drug retailers say they are concentrating on the category not just because of its overall billion-dollar volume and high 40%-50% margins, but also because they sense that competition from the food and mass merchandise chains is heating up. They don't want to see their share of ethnic H&BA dollars erode as badly as general market H&BA dollars eroded when food chains and mass merchandisers began adding H&BA product sections to their stores some years ago.

"K mart, Wal-Mart, Zayre and the other mass merchandisers are really starting to do a job in this category," said one Midwest marketing executive for a major drug chain. "We already see margins eroding a bit, but we think

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MERCHANDISING TRENDS

Special report: Ethnic products

Merchandisers push to develop ethnic H&BAs

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that if we merchandise right and promote right, turns are going to go up. And if turns go up, as we see happening in some stores, and margins stay over 30% even on promotion, as we also see happening, the profits will be there."

The drug chains that retailers, manufacturers and distributors identify as doing the best job in this category include Walgreens, Thrifty, Revco, CVS, Longs, Peoples, Dart and Medi Mart.

Distributors and manufacturers also single out SupeRx, Eckerd, Rite Aid and Adams for acting to correct earlier merchandising problems and for making strides in developing the category.

'Drug retailers say they are concentrating on the category not just because of its overall billion-dollar volume and high 40%-50% margins, but also because they sense that competition from the food and mass merchandise chains is heating up.'

Many retailers, however, still describe ethnic health & beauty aids as "underutilized." Said one buyer for a Midwest chain, "With the possible exception of Walgreens, none of us has really taken the full measure of this category.

"If we can get 12% sales increases overall when we have out-of-stocks of 20% and better, and when we don't promote and don't discount, and don't have sections in all our stores and don't always have the right mix in the sections that stores do have, just think what we can do when we get it right," he added.

"Lots of retailers don't know yet exactly how to manage this category," said Jim O'Connor, director of public relations for Alberto Culver, which owns TCB Products.

"It's getting better because they're realizing how huge the market is out there. Blacks spend much more on health & beauty aids than the general market, and there are lots of men out there buying as well as women."

No longer a stepchild

Much of the improvement is coming from the way chains are treating the category. They are following Walgreens' lead and no longer thinking of the category as "a stepchild," to be put into stores only when there is 40% or more black neighborhood traffic.

Merchandisers and buyers for the major chains say they are realizing blacks don't just shop in stores within their neighborhoods. "The trend today," said one buyer, "is to try to identify how many blacks work or shop near individual stores. If you can determine that the traffic is there, then you put in a section even if the demographics of the neighborhood are only 2% or 3% black."

By the same token, chains are getting more willing to carry products designed to meet specific black care needs. Black consumers do have special skin and hair care needs, for example, so there is opportunity in carrying specialty products in categories like skin care, cosmetics, hair coloring or hosiery.

Skin care

Walgreens, Revco, Eckerd, SupeRx and Pathmark are some major chains adding brands like AMBI and Esirg skin care toners, creamers or cocoa butter soaps to their ethnic sections and, in some cases, to the general market section, where they are cross-merchandised.

According to some initial reports, the lines are yielding turns of six to eight a year so far, with little or no retail advertising. Margins are 40% to 50%, compared with 25% to 35% for most general market H&BA brands.

Some reports say older white women are also buying the ethnic brands to conceal dark spots and liver spots. Walgreens is buying some brands direct, and Wal-Mart is starting to stock the line.

Hosiery

CVS, Adams Drug, Medi Mart and Eckerd are all either testing or selling Afrotique ethnic hosiery.

Hair Color

Rite Aid, which has featured black hair color products in its ethnic sections, is now starting to cross-merchandise the best-selling brands in the general market hair color section. In many cases, according to a source, Rite Aid has moved them from the bottom to the top shelf to eliminate lost sales from people initially missing the product. Walgreens and Revco have done the same type of cross-merchandising.

In addition to adding variety to their ethnic departments and cross-merchandising more with sections in the general market, chains are expanding the sizes of their average ethnic product departments.

Expanding ethnic sections

Eckerd, which has been resetting and expanding many of its ethnic sections, is increasing allocations from an average 6-8 ft. in a middle aisle, sources say, to an 8-12 ft. average section located on a back or side wall close to cosmetics or general market H&BA.

Revco is expanding sections from an average 3-9 ft. to as much as 12-15 ft. in heavily trafficked stores.

Gray Drug Fair is expanding sections in high-traffic stores.

Hook Drug is going from 3 ft. to as much as 14-16 ft. in some cases.

Peoples, which like Walgreens consistently allocates high-traffic endcaps to featured ethnic brands, has an ongoing advertising program for its ethnic department. Generally, Peoples features different major brands each month in its ads.

As chains expand the section, they are also following Walgreens' lead in rolling it out to more eligible stores.

Thrifty is now rolling out ethnic sections to all its stores. Revco, SupeRx, Eckerd, and others are "evaluating" how many additional stores may be "legitimate" candidates for ethnic sections.

Retailers say the advantage in having as broad a "universe" of ethnic stores as possible is that one can, like Walgreens, advertise chainwide. Walgreens uses rotos to feature name brands every promotional period. The chain also uses radio, and there is talk that Walgreens may soon be testing an ad in one of the major black consumer magazines such as *Ebony* or *Essence*.

"Walgreens," said one competitor, "is sending a welcoming message to its black shoppers. Their ads are saying, 'We appreciate your business and we want it, and for your convenience we've made sure that you can find your favorite brands in any of our stores no matter where you may be.'"

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Top sellers in ethnic hair care

Moisturizers	*Curl activators and gels*	*Hair and scalp conditioners*	*Relaxer kits*
Care Free Curl 8 oz. Soft Sheen	Care Free Curl Activator, 8 oz. Soft Sheen	TCB Conditioner 8 oz. Alberto-Culver	Dark 'n Lovely Carson Products
Sta-Sof-Fro 8 oz. M & M Products	Worlds of Curls Gel Activator 6 oz.	Ultra Sheen Conditioner 2 oz. Johnson Products	Gentle Treatment Johnson Products
Luster S-Curl Activator Moisturizer 8 oz. Luster Products	Sta-Sof-Fro Curl Activator 8 oz. M & M Products	Murray's Pomade 3 oz. Murray's Superior Products	Revlon Relaxer kit
Lustrasilk Right-On Moisturizer Activator 8 oz.	Donnie's Curl Activator 8 oz. American Beauty Products	Royal Crown Hairdressing 5 oz. J. Strickland	Roux Cream of Nature Relaxer kit Revlon
	Luster's Curl Gel Activator 6 oz. Luster Products	Posner Bergamot hair dressing 3.5 oz.	Revlon Fabulaxer kit

Source: Judith Lynn Sales Inc.

Black H&BA '85 sales up 9% to $2.5B

There are two primary ways to define the ethnic products category.

The way the American Health and Beauty Aids Institute (AHBAI) prefers to do it is to define the purchasing power of all adult black consumers. By focusing on the approximately 28 million blacks in this country, the AHBAI is able to isolate their purchasing power at approximately $170 billion in today's dollars.

Using statistics and research done by Connecticut-based Business Trends Analysts, the AHBAI is pinpointing the total volume of all black health & beauty aid purchases at $2.5 billion in 1985, up about 9% over a year earlier.

The $2.5 billion reflects the black community's share of total health & beauty aid purchases, including black purchases of general market products like deodorants and mouthwashes, plus ethnic specialty products like curl activators and cream relaxers.

It's much harder to get a precise handle on the percentage of that $2.5 billion total black consumer purchases that are for products designed to satisfy specific black skin and hair care needs. Currently, there doesn't seem to be any research company tracking sales of specialized ethnic products in all product categories through all distribution channels. Conservative estimates range from about $1 billion to $1.4 billion, with the bulk of product sales comimg from hair care.

Business Trends Analysts, for example, estimates that about 41% of all black health & beauty aid purchases are in the hair care category. That would make black specialty hair care a $1.025 billion category in 1985, up about 10% over 1984.

According to the best estimates of researchers, ethnic product manufacturers, ethnic product distributors and ethnic product buyers, black specialty hair care products account for about 90% of total sales of black specialty health & beauty aids. If the 90% ratio is right, that would mean that the overall black specialty health & beauty aids category was approximately $1.5 billion in 1985.

However, there are also manufacturers who, based on their own internal research, say that the black specialty cosmetic market, which is currently underdeveloped in retail drug stores, is also close to $1 billion, with sales coming primarily from department stores, "mom and pop" beauty and barber shops and professional hair care salons. If this is so, needless to say, there is enormous potential here for drug store retailers.

In this section, *Drug Store News* concentrates on describing the ethnic product category in each of its two main senses: black purchasing power and all volume purchases of black specialty products.

In the stories that follow, *Drug Store News* will report on current black population growth and black purchasing habits and will also report on trends, growth areas and developments within the black specialty product categories.

MERCHANDISING TRENDS

Special report: Ethnic products

Drug stores boast 66% of ethnic hair care

Manufacturers and distributors who sell ethnic beauty aid products to chain drug stores have different opinions on how well the overall category performed in 1985.

Some say the overall category was flat in 1985, with strong growth occurring only in specific segments like hair color, relaxer kits, curl activators, gels and other conditioning aids.

Others agree with A. C. Nielsen, which estimates that sales in ethnic hair care, which is about 90% of all ethnic product sales, were up 7% overall to $266 million retail dollars at food, drug and mass merchandise stores. Sales specifically in drug stores were up a healthy 12% to $176 million.

Ethnic item sales peak $1B

Market research indicates that total overall ethnic product sales exceeded $1 billion in 1985. Nielsen, from its research, believes that chain drug stores, food stores and mass merchandise stores had about a 26% share of that total ethnic H&BA business. Beauty and barber supply shops, department stores and professional hair care salons accounted for the rest of the business.

Some manufacturers, however, think that food, drug and mass merchandise outlets had at least a 40% share of that total or about $430 million. According to Nielsen, drug stores had the dominant share of food, drug and mass merchandise ethnic hair sales: 66% of dollars compared with 25% for food and 9% for mass merchandisers.

Also according to Nielsen, drug stores are showing the strongest growth trends, up 12% in dollar sales in 1985 compared to food stores, which were up only 2%, and mass merchandisers, which were down 12%.

Manufacturers and distributors, however, report much stronger sales to food and mass merchandise stores, so the possibility exists that Nielsen may be underestimating their current growth rates. They may be increasing their share of total ethnic H&BA dollars at a rate faster than Nielsen's official numbers show.

Many retailers and suppliers believe this may be the case. "The food chains are getting much more aggressive," said Clifford French, director of marketing for American Beauty Products. "They're adding more sections, promoting more ethnic, and the wholesale clubs are also getting into the category. The mass merchandisers have always done a good job, and they're doing it even more aggressively today."

"Food stores are becoming much more knowledgeable in this product area," said Carmi Brittain, director of sales for M & M Products. "They're increasing the size of their sections, maintaining more aggressive pricing, and the drug chains are aware of the situation and starting to react."

Among other things, chains are reacting by promoting ethnic health & beauty aids more often and cutting margins back somewhat from their traditional 40% to 50% levels.

Sources say Revco now only takes a 22% margin on its everyday ethnic product lines and that the deep discounters like F & M and Drug Emporium take their usual 15% to 16% everyday margins.

Frank Shanower, vp-merchandising for Drug Emporium, told a panel of retailers at the latest American Health and Beauty Aids show in Palm Springs, Calif., that Drug Emporium, which is just putting ethnic sections into all its company stores, is taking the same markup on ethnic H&BA as it is on every other item in the chain.

"We don't charge black people any more than we'd charge white people," said Shanower. "There's no difference in profit margins for us. My distributors, however, say their margins are eroding." (*See story on page 36.*)

Margins erode

Steve Lund, asst. vp-merchandising at Perry Drug, who was on the same ethnic retail panel, agreed that competition from other retail segments like deep discount drug stores and food stores would impact margins negatively. "If they're all getting more into it, margins will be reduced," he said.

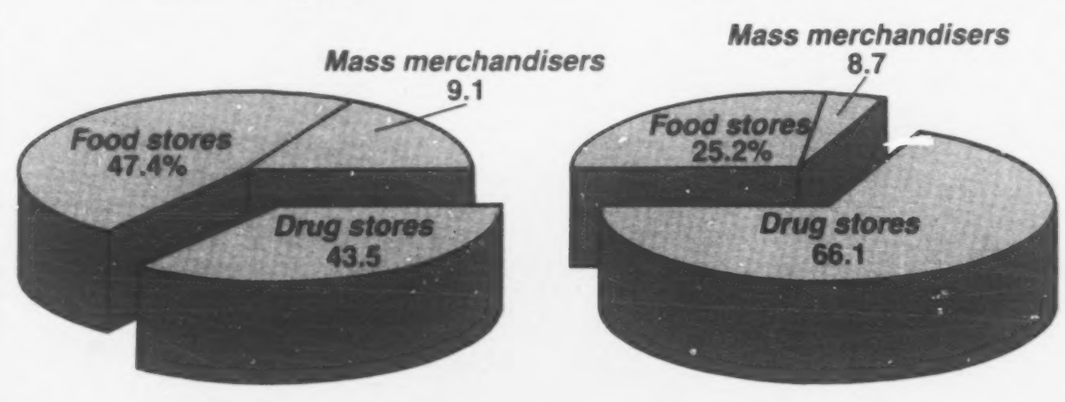
Ellis Jones, senior merchandising director for Revco, another participant in the AHBAI panel discussion, also conceded that even though ethnic is still one of the drug store's most profitable categories, the category is "beginning to get more competitive, and as that happens, margins will erode."

Because of the competitor, suppliers think drug store executives will be even more aggressive in the category in the next 12 months:

"To protect their dominance, you'll see drug stores promoting more in the future," said Charles Smith, director of marketing for Pro-Line. "Chains may decide to do one planogram for all stores with reasonable black traffic. They'll probably expand space allocations, and they'll have to look at overall pricing.

Ethnic hair care sales vs. 59 total H&BA categories

(Share of dollar sales in retail outets: 1985)



Source: A. C. Nielsen

Ethnic hair care: Average unit prices by retail outlet type

	Drug stores		Food stores		Mass merchandisers	
	Avg. price	% change	Avg. price	% change	Avg. price	% change
1984	$3.94	3%	$3.24	4%	$3.86	3%
1985	3.79	(4)	3.33	3	3.32	(14)

Source: A. C. Nielsen

Ethnic hair preps: Product Category

(Share of Sales)

	Unit share		Dollar share	
	1982	1985	1982	1985
Conditioners/hair dressings	47%	35%	29%	23%
Blowout/Relaxers	11	8	21	16
Comb easy	17	26	17	26
Curl activator	17	26	20	27
Hair spray	3	2	2	1
Perm curl kits	5	3	11	7

Source: A. C. Nielsen

Ethnic hair preps: Division of sales by product category

	$ sales	Unit sales
Curl activators	27.0%	26.6%
Comb easy	26.0	25.6
Conditioners/hair dressings	23.0	35.2
Relaxers	15.4	8.0
Curl kits	7.0	3.0
Hair sprays	1.5	1.7

Source: A. C. Nielsen

Walgreens may become the first major drug chain to launch an ethnic co-op advertising program as already utilized by variety and discount stores such as Woolworth.

Ethnic hair preps: Annual dollar sale trends (millions)*

	Drug stores		Food stores		Mass merchandisers		Total	
	$ sales	% change	$ sales	% change	$ sales	% change	$ sales	% change
1981	$100	72%	$38	12%	$28	65%	$166	52%
1982	124	24	45	18	41	46	210	27
1983	138	11	58	29	44	7	240	14
1984	157	14	66	14	26	(41)	249	4
1985	176	12	67	2	23	(12)	266	7

*Retail sales only excluding beauty and barber shops.

Source: A. C. Nielsen

Ethnic hair preps: Annual unit sales trends*

(In millions)

	Drug stores		Food stores		Mass merchandisers		Total	
	Units	% Change	Units	% Change	Units	% Change	Units	% Change
1981	30	50%	15	(1%)	9	29%	54	23%
1982	34	13	16	7	12	33	62	15
1983	36	6	19	19	11	8	66	6
1984	40	11	20	5	7	(36)	67	2
1985	47	18	20	0	6	(14)	73	9

*Retail sales only excluding beauty and barber shops

Source: A. C. Nielsen

Special report: Ethnic products

MERCHANDISING TRENDS

Views on ethnic H&BA performance are mixed

Continued from page 24

"If there is a beauty and barber shop around the corner, then it's necessary to price more aggressively. There will probably be more use of black radio to reach the consumer, too. They're relying on rotos too heavily overall now. If you're going to reach the black consumer, you need radio. Ninety per cent of all blacks listen to radio," he said.

'There will probably be more use of black radio to reach the consumer, too. They're relying on rotos too heavily overall now. If you're going to reach the black consumer, you need radio. Ninety per cent of all blacks listen to radio.'

—Charles Smith
director of marketing, Pro-Line

"Space allocations will increase," said Lou Roppolo, vp-marketing of professional products at Revlon. "If you want the black consumer to know you're in the business, you have to make the departments big enough to offer a variety of selections. Walgreens is very aggressive with that now and with promotions, and so are Thrifty, Peoples and Dart."

"I think you'll see margins cut back to about 30% in drug stores over the next three to four years," said Jim McKelroy, national sales manager for J. Strickland.

"Zayre is doing an excellent job with ethnics," said one distributor. "They're the leader in ethnics. K mart, however, is also doing more today. They have 100-ft. sections in some stores. Wal-Mart is doing more. Stop 'n Shop is getting more involved in it; so is Vons out on the West Coast.

"Drug chains will have to promote more, become price competitive and pay attention to the details of their business and their mix of products," he added.

However, "the biggest problem with drug chains," said Lou Ornstein, president of Judith Lynn Sales, "is that some will not advertise if they only have departments in stores with 40% black traffic. They can't build loyalty or an image with that kind of philosophy.

Walgreens devoted much shelf space to ethnic hair preps.

Ethnic hair preps: Share of $ sales by retail outlets

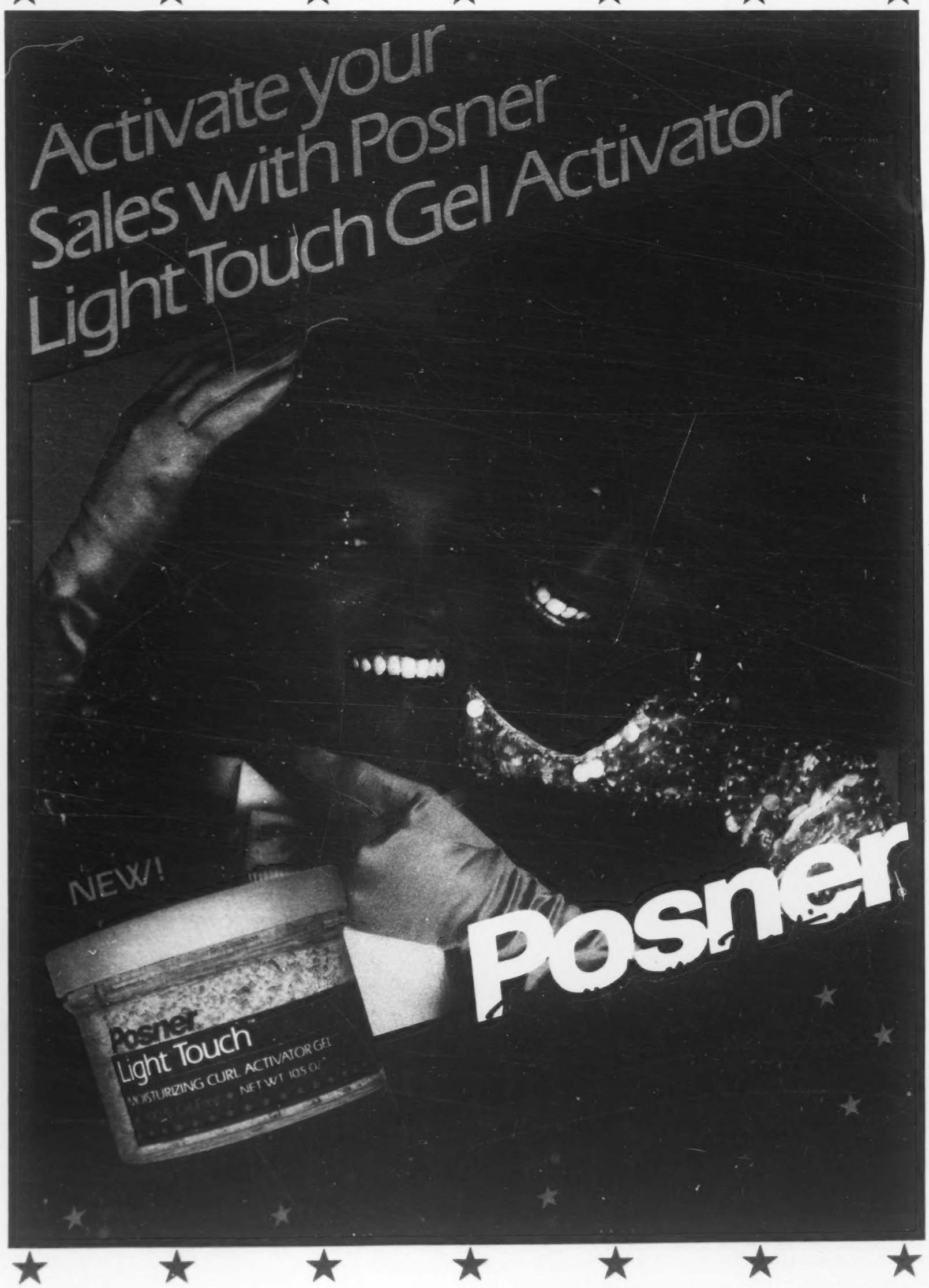
	Drug	Food	Mass merchandiser
1981	60%	23%	17%
1982	59	21	20
1983	58	24	18
1984	63	27	10
1985	66	25	9

Source: A. C. Nielsen

Ethnic hair preps: Share of unit sales by retail outlet types

	Drug	Food	Mass merchandiser
1981	53%	31%	16%
1982	55	27	18
1983	54	28	18
1984	60	30	10
1985	64	28	8

Source: A. C. Nielsen



Facts

Continued from page 22

Hair relaxers chemically straighten the hair and enable it to be styled in a variety of ways.

In 1980, an older way of relaxing the hair was re-introduced with the name "the curly look." Years ago, McKelroy says, the curly look was called the "cold wave."

To maintain the curly look, however, a number of accessory products are necessary, including curl activators and moisturizers, which are used to give the hair more bounce.

Because of their frequent use, curl activators are the fastest-growing segment within the hair care category today.

MERCHANDISING TRENDS

Special report: Ethnic products

Blacks' spending on H&BA expected to keep going up

In 1980, according to the U.S. Bureau of the Census, there were approximately 26 million blacks living in the United States. By 1990, the U.S. Census estimates, there will be about 31 million. Today, there are about 28 million blacks, most of them living in the Southwest, the Midwest and the Northeast.

Demographic studies show that approximately half of the black population is 24 years old or younger. In contrast, the median age for whites is 29.

Possibly because of their youth, blacks purchase and use health & beauty aids, especially personal grooming products, at a much higher rate than their white counterparts. The most common estimate of black H&BA purchasing patterns is that blacks spend three to five times more on health & beauty aids than do whites.

In 1984, for instance, at a time when blacks constituted just 12% of the U.S. population, they accounted for 35% of all hair care sales as tracked by Business Trends Analysts. Today, the American Health and Beauty Aids Institute (AHBAI) said their research shows that blacks are spending "up to five times more on personal care products than the average consumer."

The census is projecting a population of about 31 million blacks by 1990, with an estimated purchasing power of about $200 billion. Business Trends Analysts is projecting that black purchases of health & beauty aid products will soar to $5.6 billion by 1993.

The bulk of these purchases is expected to come from the approximately 10 million adult black females now living in the United States, although the approximately nine million adult males are also heavy users of personal grooming products.

The preteen and teen markets are also very attractive, as half of all blacks are under 24 years of age and at a stage in their lives when looks and beauty are extraordinarily important to them.

One indication of the potential of this category for retailers and manufacturers is that black female homemakers spend almost twice as much as white female homemakers for such general market products as children's vitamins or baby oils and lotions.

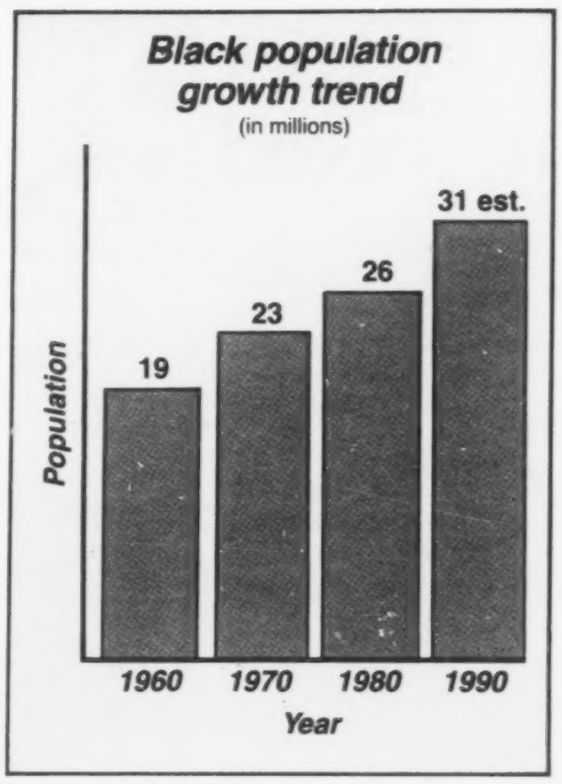
According to Simmons Research in New York, black women compared with white women buy children's vitamins at a ratio of 155 to 92. They buy baby oils and lotions, says Simmons, at a ratio of 163 to 91.

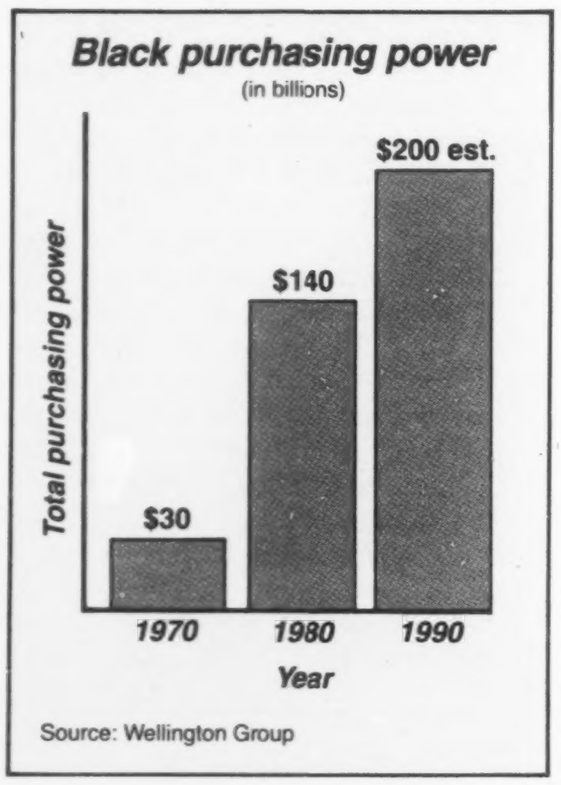
The black population is also marrying at a faster rate than are whites, setting up two-person households faster and having children faster. According to the U.S. Census, black married couples increased 130% from 1970 to 1980, while white married couples only increased 113%.

Blacks are also upwardly mobile. In 1970, blacks had a per capita income of $1,304. In 1980, per capita income had climbed to $5,385, and in 1990, it is projected to reach $6,452, according to statistics from the Wellington Group and U.S. Census Bureau.

Today, more blacks are going to and graduating from college. According to Lafayette Jones, AHBAI executive director, at the latest count there were approximately one million blacks in college. He also said that the percentage of blacks in professions such as law and medicine is increasing two to seven times faster than that of any other group.

"The black market is here to stay," said Jones. "It's growing. It's important, and it can make a difference in profitability in the retail drug store."





Black and white purchasing habits

Select categories	Female homemaker indices: Black	Female homemaker indices: White	Black spending ($ in millions)
Baby oil and lotion	163	91	$ 10.5
Baby powder	131	95	10.8
Disposable diapers	153	91	195.4
Premoistened cleaning wipes for babies	107	99	15.6
Children's vitamins	155	92	114.6
Air freshener sprays and room deodorizers	123	96	16.9
Floor wax and polish	167	92	26.3
Plastic garbage bags	124	97	10.1
Corn/tortilla chips, snacks	120	97	9.7
Potato chips	131	96	31.4

Source: Simmons research

Black female homemakers spend almost double what white female homemakers spend on general merchandise according to Simmons Research, New York. Particularly noted are children's vitamins and baby lotions and oils.

Cities with highest per cents of black populations

City	% of pop.	Black pop (000)
East St. Louis	95.6%	52.8
East Cleveland, Ohio	86.5	32.0
East Orange, N.J.	83.5	64.6
Compton, Calif.	74.8	60.8
Prichard, Ala.	73.7	29.1
Gary, Ind.	70.8	107.6
Washington, D.C.	70.3	448.2
Atlanta	66.6	282.9
Detroit	63.1	758.9
Newark	58.2	191.7
Inglewood, Calif.	57.3	54.0
New Orleans	56.3	308.1
Birmingham	55.6	158.2
Baltimore	54.8	431.2
Camden, N.J.	53.0	45.9
Richmond, Va.	51.3	112.4
Wilmington, Del.	51.1	35.9

Source: U.S. Census Bureau SMSI estimates

Drug stores firming grip on lead in ethnic H&BA

Ethnic hair care: Recommended shelf allocations
Blow out and cream relaxers 21%
Curl activators 20%
Comb easy conditioning, moisturizers 17%
Conditioners 28%
Curl kits 12%
Hair sprays 2%
Source: American Health and Beauty Aids Institute

Continued from page 18

Retailers say advertising is growing more important in their plans to build the ethnic products department. Sources say more attention is being paid to the purchasing power of black consumers, to the gains blacks have made in professional status, to the mobility of blacks and to their strong commitment to the use of health & beauty products.

Every retailer *Drug Store News* talked to mentioned that blacks make five times as many health & beauty aid purchases in dollars as whites. Retailers also said they realize radio is an excellent medium for reaching black shoppers, but that to use it effectively, chains need to have ethnic products in enough stores to cover the advertised marketplace.

So far, a handful of drug chains have reached the point at which radio pays off at least in select key black markets.

Pricing

In some advertising, price is the main theme of the commercial. This is not true across the board, however, and it seems to hold true only in those markets where chains face heavy competition from food, mass merchandise, deep discount drug stores or wholesale clubs like Wal-Mart's Sam's Wholesale Clubs.

Walgreens, for instance, is judged "super competitive" virtually always on its advertised prices, but only relatively competitive on its everyday pricing.

Eckerd is also considered competitive on advertised specials but is so high most of the time on everyday prices that shoppers in some regions, sources say, tend to "cherry pick" the store's ethnic departments, buying the ad items but ignoring the everyday selection.

Revco doesn't advertise much, but the chain has already developed an excellent price value perception. Sources say Revco's everyday ethnic prices recently have been averaging about 22% margins, the lowest mention for any chain except deep discounters like Drug Emporium and F & M.

Fashion advertising

Not all of the new advertising, however, is focused on price. Walgreens, for example, is becoming a leader in promoting black "fashions."

In a recent ad, Walgreens promoted Posner's Fire Fox line of ethnic lipsticks, stressing not price, but "fashionability." The lipsticks in the ads were priced at full $1.99 to $2.79 retails, but, according to several sources, they sold "very well," and Walgreens is reportedly considering repeating the promotion this fall.

Walgreens also recently took out a full color back page ad in the Lifestyle section of the Chicago *Sun Times*, as well as in a major Houston newspaper. The ads, which took advantage of co-op dollars from Soft Sheen, featured the manufacturer's new Color Accent line. Walgreens did a similar ad with L'Oreal featuring its hair coloring products.

Beginning in 1985, a lot of retailers began building their advertising around bonus packs put together by manufacturers. The packs included bundled products (buy one 10-oz. jar, get the attached 10-oz. jar free), extra ounces (get an 8-oz. pack for the price of a 6-oz. pick), and free trial samples (buy an 8-oz. shampoo and get a free 8-oz. bottle of the new conditioner).

'Every retailer *Drug Store News* talked to mentioned that blacks make five times as many health & beauty aid purchases in dollars as whites.'

Bonus packs

Retailers in 1986 said the packs worked so well they are clamoring for more. Manufacturers say they are eager to cooperate. (*See story on page 21.*)

Pathmark, for example, bought a truckload of Donnie's bonus packs on the 8-oz. curl activator softener lotion and the 99.5% 8-oz. glycerin last fall.

The manufacturer, American Beauty Products, packaged two extra bonus ounces in each regular 8-oz. package and backed up the promotion with free in-store product demonstrations in select food and drug stores. Promotion included radio ads with free taglines for Pathmark, plus in-store premium giveaways: T-shirts and trial sizes.

K mart will be doing a similar promotion this summer.

Gray Drug Fair did a bonus promotion with Carson Products last fall on Dark 'n Lovely. According to a source, the promotion was backed by radio and newsprint ads and was highlighted by super low prices and free premiums such as a lipstick with a mirror and mini-light.

Sales, said a source, quadrupled over the four-hour afternoon demonstration period. When K mart did a similar promotion, sources said, they sold $800 of Dark 'n Lovely in four hours; normally they would have done less than $200 in four hours.

Another nice traffic builder—relatively new for drug chains but familiar to food and mass merchandise stores—is in-store product demonstrations or giveaways.

Soft Sheen, Carson and other ethnic manufacturers arrange with a store manager to have part-timers or reps come on a high-traffic day and either demonstrate how the product can be used to style hair or remedy a hair or skin care problem. During that demonstration, they'll also give away free samples or premiums. In many cases, too, the manufacturer gives the retailer free advertising exposure by "tagging" participating stores in radio or newspaper ads.

Walgreens, Osco and Perry have been particularly successful with this traffic-building, margin-protective strategy, sources say.

Because more chains are realizing that sales opportunities are lost when clerks or cosmetologists can't take advantage of suggestive selling opportunities, there is also a trend to inviting manufacturers down to regional or national sales meetings to train or educate company executives and field staffs, particularly those who, being white are not familiar with how to use the ethnic products.

Training sessions

Revco is doing regional training meetings with manufacturers like Carson Products. Longs has invited national ethnic manufacturers to attend their trade show in Hawaii later this year.

Walgreens, for the fourth year straight, will be bringing major manufacturers like Soft Sheen to its yearly seminar for company cosmetologists.

"Between out-of-stocks and the lack of suggestive selling in some of our stores," said one retailer, "who can tell how many sales we lose? I feel it's substantial. These educational programs help us address that. I'd like to see manufacturers do more of them." (Manufacturers say they intend to do more of them. *See story on page 21.*)

Out-of-stocks

Out-of-stocks have traditionally been a problem for retailers in this category, even for Walgreens, whose programs everyone seems to admire. Some sources say the out-of-stock problem in ethnic averages higher than 25% a year.

Part of the problem is that many sales in this category are generated around the first and the 15th of the month, when many consumers receive government checks. To stay in stock during these two weeks, retailers must overstock during the off weeks.

Both retailers and manufacturers say they don't see any easy answers to this problem, but there is some hope that as chains perfect their working relationships with the "better" distributors, the out-of-stock situation should improve.

Other sources also say that as chains start developing product movement reports on those lines that are self-warehoused, the situation should get better. Walgreens was the first chain to self-warehouse ethnic brands, and their out-of-stock record, although not perfect, is the best in the industry, suppliers say. Currently, SupeRx, Revco and Peoples are warehousing many of the lines they carry, and Wal-Mart, as part of the trend for mass merchandisers to develop the category, planned to begin self-warehousing this spring.

One source estimated that Wal-Mart's approximately $20 million a year in ethnic sales will "triple" once they get the warehouse program established. (*See related story on page 24.*)

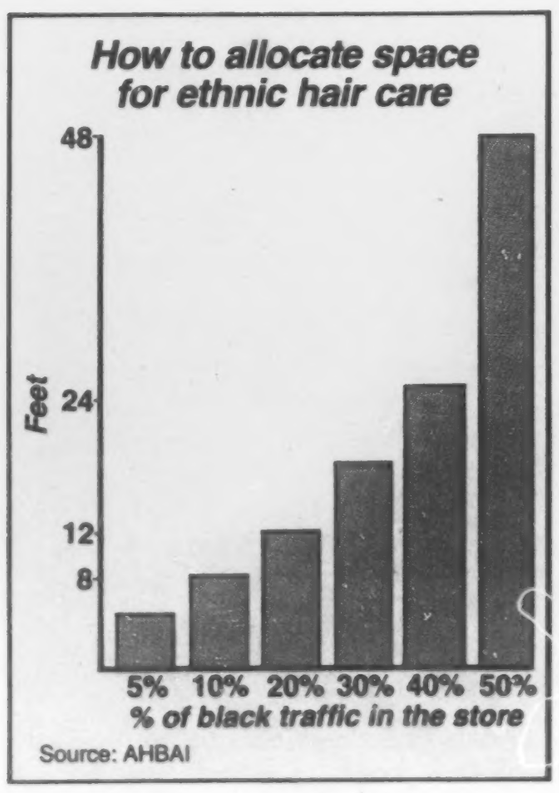
Also, some manufacturers claim the out-of-stock problem could be minimized if chains gave more facings to the better-selling advertised brands. Chain buyers say they can't expand facings for any brand "too much" because, well-advertised or not, there are always strong-selling regional brands that customers want to see in their stores, and there is not enough space to give expanded facings to "national" brands while also covering the regional favorites.

'Walgreens was the first chain to self-warehouse ethnic brands, and their out-of-stock record, although not perfect, is the best in the industry, suppliers say. Currently, SupeRx, Revco and Peoples are warehousing many of the lines they carry, and Wal-Mart, as part of the trend for mass merchandisers to develop the category, planned to begin self-warehousing this spring.'

However, many manufacturers believe that situation will resolve itself in a year or two. The major manufacturers are beefing up their advertising and promotional programs, trying to build up market share across the country. They believe that as these campaigns start to work, the "weaker" regionals will lose favor and retailers will be able to eliminate them more easily.

Several of the major manufacturers made the point that to be practical, retailers should be giving shelf allocations and expanded facings to the manufacturers who are advertising to support their brands.

Retailers also said they will be weeding out the slower movers. "More chains today are warehousing their own ethnic brands and relying on distributors or well-informed buyers to tell them which new products to bring into the system," said one marketing vice president.



MERCHANDISING TRENDS

Drug stores mine fast-stop appeal of card depts.

Test offbeat lines, extend footage

Greeting card customers' increased demand for convenience is prompting drug stores to remerchandise and extend department footage.

Forays this year by leading vendors into the growing alternative card segment have pushed chains even further into establishing cards as a core profit center.

Chains such as Revco, Rite Aid and Wellby are boosting sales and profits by expanding exposure, relocating departments, and using upgraded fixtures. While they are committed to traditional card lines, where sales are growing due to fuller selections, stores are testing new alternative lines, including Hallmark Cards' 800-sku "Shoe Box Greetings," American Greetings' "In Touch" offering, and Gibson's latest contemporary nonoccasion series.

Smaller drug chains are also looking for a distinctive niche in the contemporary card area by carrying lines from the growing ranks of alternative card companies, such as California Dreamers. The five-year-old Chicago business has placed its Color Photography and Mother Goose and Grimm lines into chains, including Bartell Drugs and Ashton Drug Center in the state of Washington, Sentry Drugs in Florida, and Wegman's Food and Drug stores in New York.

It will attempt to beam into drug stores this year with a licensed "Star Trek" line, featuring color photos of the TV series stars with humorous quotes.

Aiming to double profits from cards this year, Revco is doubling linear feet in a majority of its stores; moving cards from the rear to the front, next to cosmetics; and adopting fixture lighting for its American and Gibson selections.

Hallmark, which analysts say has encountered some market erosion in recent years, may have made the biggest splash this year: Its Shoe Box line features humor about modern situations, with contemporary graphics for both occasion and nonoccasion sending. It accompanied the launch—the largest single product line in its history—with new pricing and free fixtures. The terms include pricing at 45¢, 10% off the typical wholesale price on a $1 retail card.

Mirroring society

The pricing underlined Hallmark's approach to the contemporary segment, where vendors say nonoccasion cards and offbeat and humorous sentiments are mirroring changing attitudes in society. Walgreens, Long's, Osco and CVS have picked up Hallmark's new line.

"It's a bold stride into the contemporary market, where they have never been prominent, and that looks very interesting," said Dan Herrmann, Fay's president and coo, about Shoe Box. But while Fay's is trying the line in many of its stores, Herrmann said the verdict is still out on the alternative segment: "We don't know to what degree the customer is going to pick up on the contemporary lines."

> **"The move should about double greeting cards' share of total sales from 2.2% to 4.2% and push profits from 21% of total profits to as high as 40%."**
> **—Phil Carfagno**
> *merchandising manager*
> *Revco*

Other retailers are more convinced of the cards' potential and are already getting results.

"We're seeing a lot of action in the alternative card lines," said Margaret Matteson Urquhart, Wellby's director of merchandising. "And we feel that there's a demand based on changing lifestyles."

Wellby's is supplementing selections from American Greetings and Ambassador with cards from six different alternative card companies in creating in-store "card shops" of either 200 or 120 linear feet in 32 stores, Urquhart said.

Alternative lines

Alternative lines—from vendors such as Blue Mountain, Recycled Paper, Mark I, Renaissance and Moodz—help create an image of a wide selection in the "shops," which are also picking up American's 144-sku "In Touch" series and Ambassador's new eight-line promotion, which includes The American Collection and Odd Lot Greetings.

Wellby's puts the shops in its 10,000-sq.-ft. stores in the right rear corner of a race track. In its 5,000-sq.-ft. units, they are in front of the rear wall pharmacy and adjacent to seasonal. "We position the card department so that it is very visible and accessible to prescription customers," said Urquhart.

These impulse displays of traditional and alternative card lines have helped to boost sales and profits per square foot, she said.

Revco is boosting card sales to about 5% of total chain sales by expanding cards from 48 to 84 ft., where it has achieved maximum return in store tests, said Phil Carfagno, Revco's merchandising manager.

The move should about double greeting cards' share of total sales from 2.2% to 4.2% and push profits from 21% of total profits to as high as 40%, Carfagno said.

Revco is eliminating its run of speed tables to position the cards next to cosmetics, to capture the female customer who accounts for 90% of card purchases.

Rite Aid is picking up "In Touch" with spinners and endcap displays to add to its 108- and 112-ft. American Greetings selection.

Cut footage

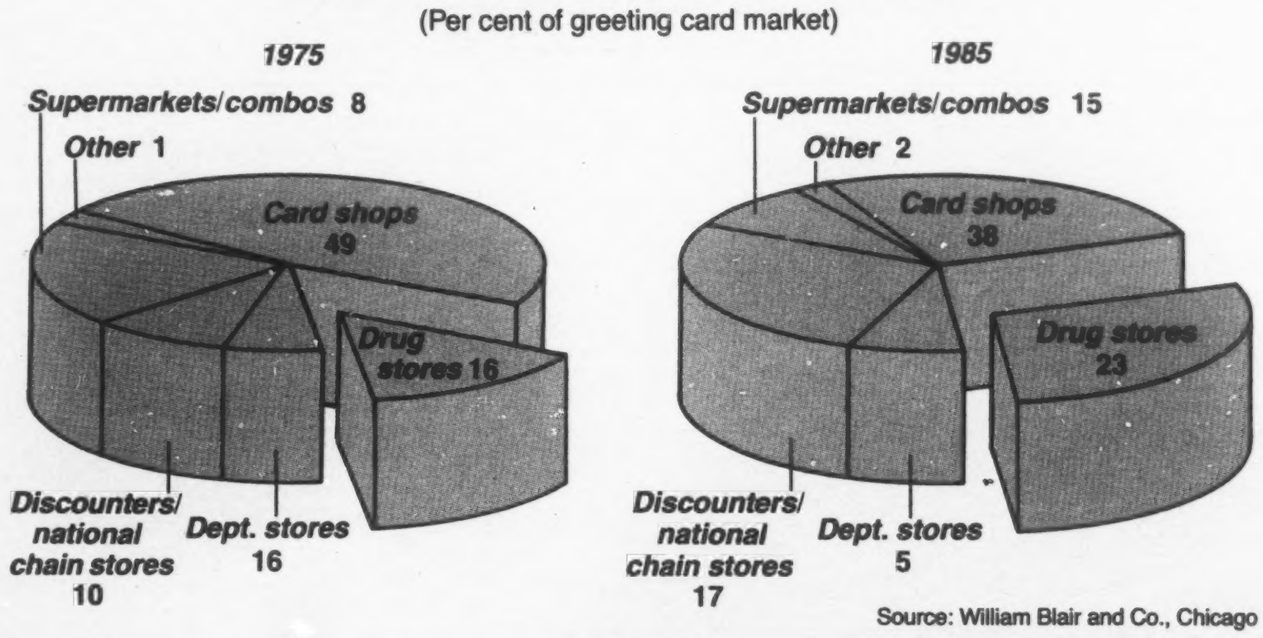
The chain's existing footage had been larger three years ago, but was cut to achieve the best ROI. "We cut back to the point where we feel we are getting the maximum amount of sales with the minimum amount of footage," said vp-merchandising Gerry Cardinale.

Last year, Rite Aid installed American's new oak-paneled fixtures with re-angled tiers that expose cards more toward eye level.

Drug stores have continued to expand market share because they offer quick-shopping visit convenience and about 70% of their customers are women, who buy the most greeting cards.

Drug Stores slice larger card market piece

(Per cent of greeting card market)



Source: William Blair and Co., Chicago

Surprising Facts About Cards

- The average adult buys about 30 cards a year.
- Greeting cards account for 50% of all personal mail sent from household to household.
- Retail card sales are about $3.2 billion and seven billion cards annually. Chain and independent drug stores now have about 23% of the market, up 50% in the past three years. This trend will continue, with 20% annual growth predicted over the next few years.
- Card retails range from 35¢ to $7.50, with the average price at about $1.
- Women buy 90% of all greeting cards. Half the cards purchased are seasonal and the rest every day; nonoccasion card sales are on the rise.
- The most popular card-sending holidays are, in order, Christmas, Valentine's Day, Easter, Mother's Day, Father's Day and Graduation.

Source: Greeting Card Association

Walgreens flanks greeting cards in a Chicago store with gift wrap and accessories and endcaps of pegged post cards and invitation notes.

It Could Be Verse

(Match column A with the correct column B)

A	B
Having a dog is just like having a man around. You say all the same things: din, din, shut up, go to bed . . . and . . .	I was educated once and it took me years to get over it.
Don't criticize my eating habits:	That way we won't have to buy costumes.
Inside every older person,	I'll be available next month.
Congratulations Graduate.	I've got a chocolate chip on my shoulder.
Let's go out as nerds on Halloween.	Get off me!
Want a beautiful body in 30 days.	There's a younger person wondering what happened. Happy birthday!

Verses courtesy of Hallmark, Gibson, California Dreamers, Chippendales.

MERCHANDISING TRENDS

Vendors see DPP plans in cards for drug stores

Supermarket models show department's profit potential

Direct product profitability programs have yet to be applied extensively to greeting card departments in drug stores, although retailers seem intuitively aware of cards' high profit capability.

Vendors' and retailers' work with DPP card models in supermarkets should approximate the results to be gotten when applied to drug stores. However, supermarkets have developed DPP systems for food and other gm items for meaningful comparisons. Drug stores will also have to set up such models for their major product lines—a difficult task for the multicategory drug store environment—before DPP measurements can be used effectively in one category, vendors and retailers told *Drug Store News*.

Studies of card profitability by supermarkets unsurprisingly reveal cards' high profit capabilities. With their low handling costs, minimal inventory and floor space requirements, low spoilage and easy checkout ability, and exceptionally high profits, they figure well in computer models relating costs to benefits.

"DPP is still not in wide use in any channel, although supermarkets are on the leading edge," said American Greetings spokesman Jeff Jones.

"It's a discussion point," Jones noted.

Wellby is one drug chain that has moved further in this direction than many, since its parent, Hannaford Brothers, has created DPP models for its supermarket product lines.

Margaret Matteson Urquhart, Wellby's director of merchandising, said the chain this year will develop DPP models for all drug store product lines.

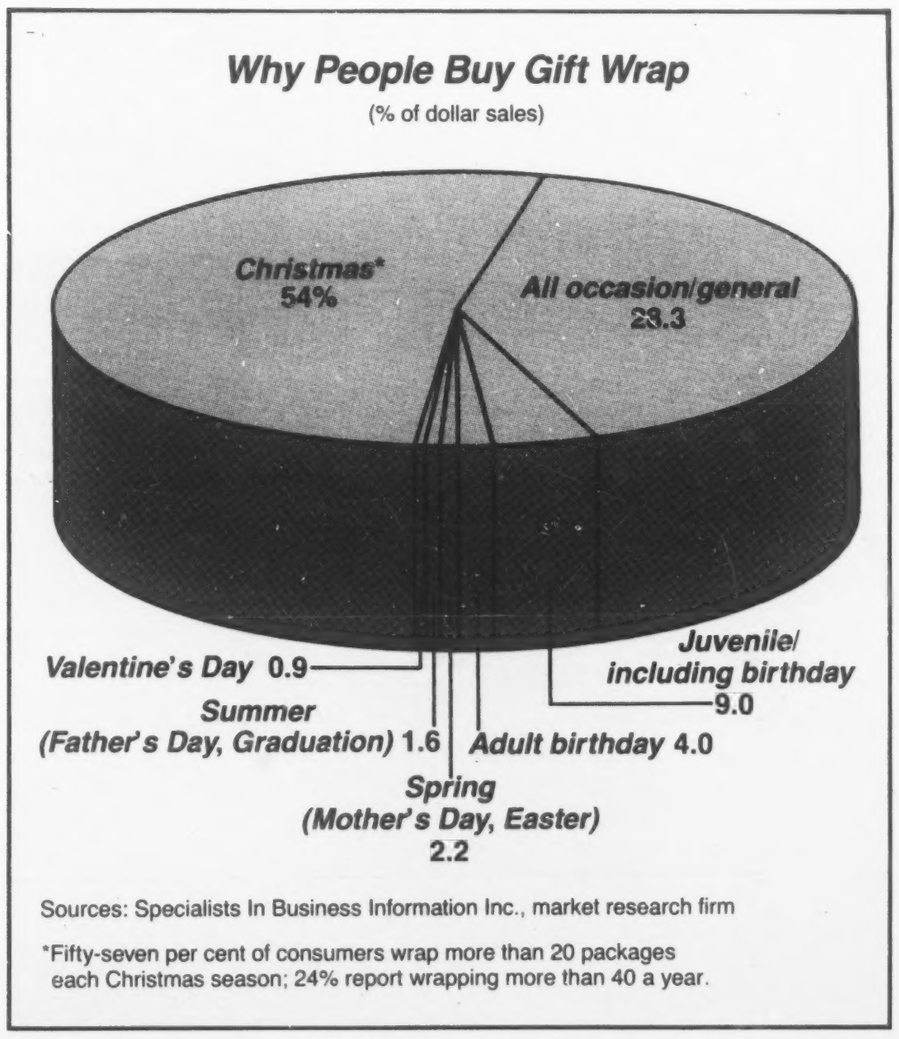
"We would use the same kind of calculations we use in the supermarkets, but change the variables, such as handling and labor costs," said Urquhart, adding that she expects drug store greeting cards to show the high profits achieved in the food segment.

> 'Wellby's this year will develop DPP models for all drug store product lines.'

With cards providing 50% gross margins, fully 93% of the gross profit becomes direct product profit, or net profit, with only the remaining 7% necessary to cover variable costs, Urquhart said.

Hallmark's Ambassador Card division, meanwhile, said it has developed a DPP model, which it termed "the first application of DPP cost accounting to the greeting card industry." A spokesman said the model was built for supermarkets. "We have made some projections for drug chains, but in order to get the project to be meaningful, you have to make a lot of assumptions on other [product lines] costs," the spokesman said.

Sales of holiday cards, as shown at Drug Emporium in northeast Philadelphia, are losing share to popular nonoccasion cards.



Sources: Specialists In Business Information Inc., market research firm

*Fifty-seven per cent of consumers wrap more than 20 packages each Christmas season; 24% report wrapping more than 40 a year.

Basic gift wrap items sell best, high-ends slower, chains say

The gift wrap drug chains sell the most is basic paper, bows and gift tags in matched contemporary patterns. Two-sheet flat fold and wrap packs are the most heavily promoted, merchandising executives told *Drug Store News*.

High-end foil and film wrap, migrating from the department stores, is reported to be less successful by several chains, who will be concentrating on the basic uncoated paper again this year.

"If you upgrade the pattern in basic, you're all right," said one merchandising manager for a major Eastern chain. "I'd have to see another year of very strong sales before I'd make another commitment in foil. I'd rather upgrade the pattern first," the manager added.

Fay's experienced flat sales in metallic wrap and will be cutting back on high-end wrap as a result, according to president and coo Dan Herrmann.

"There will be quite a few step-ups eliminated this Christmas. We felt we reached a little too high up in the step-up lines," he said.

Buyers conceded there's an upgrade in consumer tastes. But the new fashion designs that customers want at drug stores haven't swung into the corner of the higher price-point wraps.

Coordinated paper, bow and gift tag packs retail every day at $1.95, but move particularly well on promotion at 2-packs for $3. Two-sheet flat fold has become another year-round promotional item.

Cleo Wrap, for instance, has targeted drug stores with its recent introduction of Petite-Petite coordinated gift wrap and accessories.

Patterns on the 15-in.-tall rolls repeat often to make the paper suitable for wrapping cosmetics and other small gift items normally found in drug stores.

Greeting cards, which will probably soon be enhanced by direct product profitability programs at drug stores, are commanding increased footage at chains nationwide. Already, Drug Emporium (left) and Walgreens (right) devote significant space to the department, whose sales grew 14.2% in 1985. Drug stores have raised their share of the nation's greeting card business to about 23% and are expected to increase that between now and 1990.

C5150-2

Merchandising Trends:
Checking out merchandising at the checkstand—p. 15

Focus on People:
Looking in on NACDS meeting in Maui—p. 12

Inside pharmacy:
Eckerd details Fla. script law to shoppers—p. 27

DRUG STORE NEWS

Vol. 8/No. 13 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. June 9, 1986

Pay 'n Save Corp. to go public again

By Lou Karney

SEATTLE — Less than two years after Pay 'n Save Corp. went private in a leveraged buyout to management and The Trump Group, the 108-store retail drug division is going public again.

In addition, PNS Inc., Pay 'n Save's holding company, is acquiring the 33-store Bi-Mart discount drug chain from Pay 'n Save subsidiary Seattle Standard Corp., presumably to increase buying and administrative efficiencies. The transaction—$84 million in cash—will come from the net proceeds of the PNS stock/bond/note offering.

The offering by PNS totals approximately $275 million and consists of (1) three million shares of common stock, valued at $16-$18 per share, or approximately $50 million; (2) $100 million in convertible debentures due June 15, 2006; and (3) $125 million in senior subordinated notes due June 15, 1996.

The underwriting group will be led by Drexel Burnham Lambert.

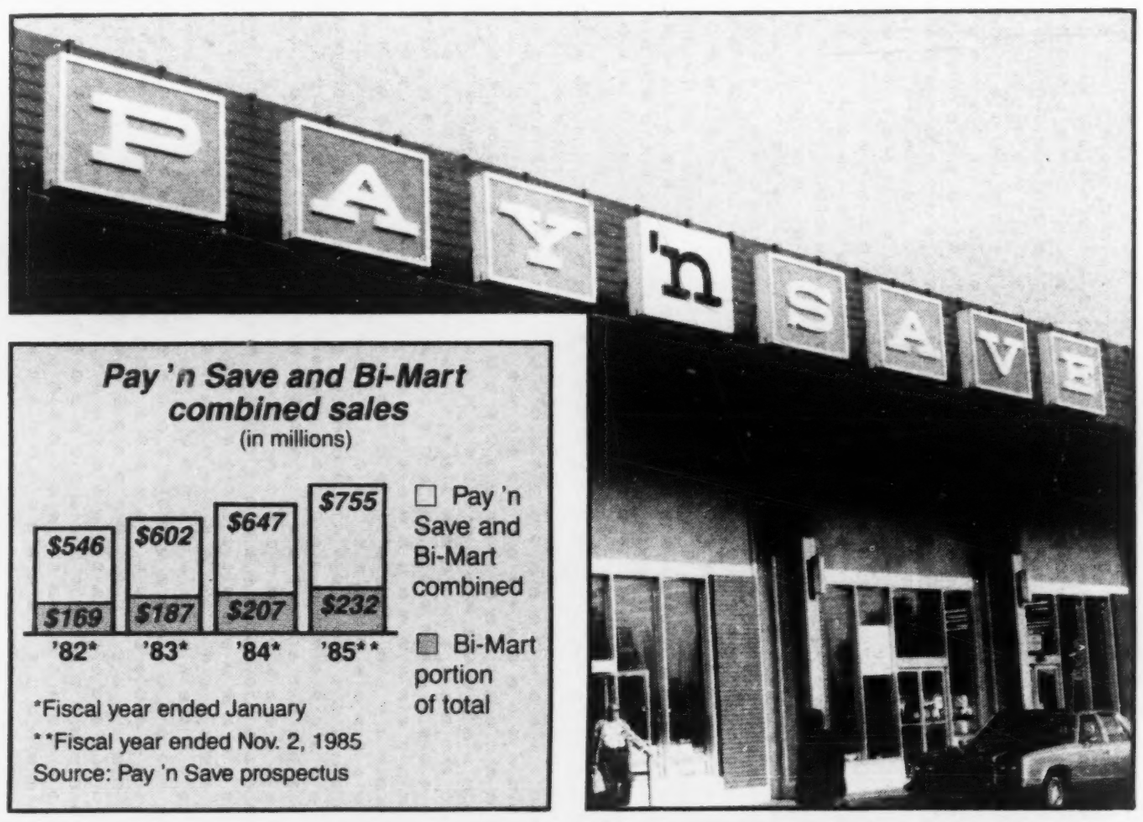
Proceeds earmarked

Proceeds from the offering will be used to repay Pay 'n Save's debt, as well as to finance a vastly expanded distribution system.

Although Pay 'n Save officials would not comment during the registration period (expected to last a month), the SEC prospectus notes that "during the period Feb. 1 to Nov. 1, 1986, the company plans to spend approximately $30 million for a buildup of inventories and approximately $31 million for property and equipment. The latter reflects certain extraordinary expenditures, including $22 million for the acquisition, fixturing and expansion of the Auburn distribution center and $5 million for remodeling store interiors. In fiscal 1987, the company plans approximately $7 million in capital expenditures."

This summer, Pay 'n Save will complete the mechanization of its 350,000-sq.-ft. (including mezzanine) Auburn

*See **Pay 'n Save**, page 34*



SDM names David Bloom as chairman

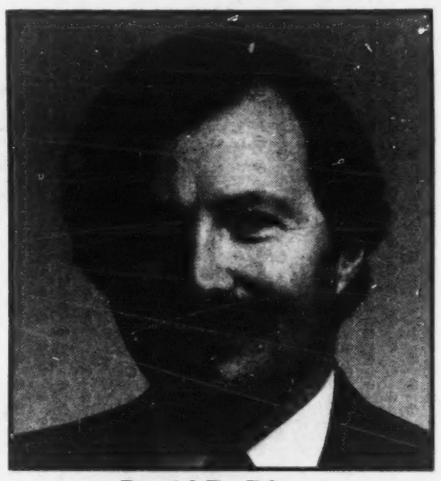
TORONTO — David R. Bloom has become one of the youngest chairmen in the retail drug industry with his appointment to the top spot at Shoppers Drug Mart by parent Imasco Limited.

Bloom, 42, retains his current title of president and ceo. The move culminates his rapid rise at Canada's dominant drug chain, where his imprint has been felt markedly the past three years.

Repositioned SDM

He's largely credited with repositioning Shoppers Drug Mart into an operator of four distinct store formats that has enabled the company to grow by diversification. When he became president in 1983, SDM ran about 400 conventional 6,000-sq.-ft. stores and had operations in Florida and

*See **Bloom**, page 34*



David R. Bloom

Trading by Dart Group is responsible for a 6½-point climb in the price of Safeway stock, to 44⅜, during the two week period prior to presstime, market sources said. Two blocks of shares totaling 3.5 million shares created the most movement. Dart Group is said to have a big war chest, having sold its drug stores for $160 million and having placed $250 million worth of debentures.

Survey: Rx buyers report cosmetic allocations See page 33

The pros and cons of estrogens' effects See page 28

Fay's acts to stop slump

Plans include hiring freeze, raising margins

LIVERPOOL, N.Y. — Fay's is taking steps to uplift eroded margins in its upstate New York markets and contain costs chainwide, in order to rebound from its recent profits slump.

A freeze on management hiring and wages is also part of its get-well regimen to help stop the slide, which produced a $1.1 million first-quarter net loss. It was Fay's first loss in any quarter since 1974.

It stemmed in part from Fay's large stock of young stores less than three years old, which had also contributed to the sharp downturn in the 1986 fiscal year, Fay's officers told shareholders at the annual meeting here.

Operating losses sustained

"The loss from the first quarter is primarily the result of operating losses sustained by stores opened . . . during the past three years," said Fay's chairman Henry A. Panasci Jr. He also noted continued weakness in mature store sales because of intense pricing competition in key markets.

Panasci said 41% of Fay's 159 stores are less than three years old, including its Paper Cutter office supply stores and its Wheels auto parts stores. Since Fay's drug stores break even at $3.3 million annual sales and specialty outlets at somewhat less, most of the newer stores re-

*See **Fay's**, page 34*

Diversion probe targets Rxer

WEST PLAINS, Mo. — The Justice Department's sweeping probe of prescription drug diversion activities has broadened into Missouri, where undercover FBI agents are investigating allegations of a variety of illegal—and bizarre—diversion practices by Wal-Mart pharmacists.

According to a sworn affidavit filed with a U.S. District Court judge in Missouri, the alleged practices range from a carefully orchestrated Rx sample "shucking" operation to "the retrieval of partially used prescription drugs from the effects of dead nursing home patients for redispensing to other patients with prescriptions."

See related story, page 27

The chief target of the Missouri probe: pharmacist Wayne Prewett, described in the affidavit as a "very powerful and influential" West Plains businessman who leased the pharmacy department in the local Wal-Mart "Discount City" and also owns

*See **Probe**, page 34*

Accused denies taking pills from dead

WEST PLAINS, Mo. — Independent pharmacist Wayne Prewett flatly denied Rx diversion charges leveled against him in an FBI affidavit on file with the U.S. District Court.

Prewett, who was continuing to dispense drugs at his Burton Creek pharmacy at presstime, told *Drug Store News* that the accusations contained in the court papers stem from untrue statements by one of his former employees.

Although Prewett acknowledged that a court-ordered search of his pharmacy turned up quantities of Rx samples,

*See **Accused**, page 34*

NEWS IN BRIEF

Retired Strother ceo Klein dies

LYNCHBURG, Va. — Joseph C. Klein, the retired chairman and ceo of Strother Drug Co., died early last month at the Medical College of Virginia, Richmond, following a short illness.

Klein, who joined the wholesaling company in 1956, became a vp and director in 1961. A decade later he was named president and treasurer, serving in that capacity until 1983, when he became chairman and ceo. He retired from Strother, a division of Alco Standard Corp., in 1984.

Klein also held numerous positions with the National Wholesale Druggists' Association. He was elected to NWDA's Board of Directors in 1975 and served on the board through 1979, when he was elected second vice chairman. In 1980 he was named first vice chairman.

Bergen Brunswig to offer debentures

ORANGE, Calif. — Bergen Brunswig plans to offer $40 million of exchangeable subordinated debentures due 2011, to help raise funds to finance acquisitions, provide working capital and repay bank debt.

According to filings with the Securities and Exchange Commission, Bergen will combine proceeds of this offering with another by its Commtron subsidiary to achieve those goals.

The Bergen offering will be underwritten by Drexel Burnham Lambert, and Commtron's by Drexel and Bear, Stearns.

The Bergen debentures would be exchangeable for common shares in Commtron, which distributes prerecorded videocassettes and consumer electronics products.

In its separate offering, Commtron proposes to sell two million common shares, still to be issued.

Provigo acquires Pharmacom assets

MONTREAL — Provigo has acquired all the assets of Pharmacom Systems Ltd., of Toronto through its subsidiary, National Drug Limited.

Provigo's health and pharmaceutical group, already the largest drug wholesaler in Canada at $750 million annual sales, immediately adds to its network the 500 pharmacies served by Pharmacom.

Pharmacom, the largest seller of pharmacy systems in Canada, will continue to service its existing customer base, Provigo announced.

Castle shutters Fla., Okla. units

CHICAGO, Ill. — Castle Distributors is refocusing on the Chicago market, after pulling out of Florida and Oklahoma.

"Chicagoland's Original Discounter," as it calls itself, is now a four-store operation, after closing three units in Florida and Oklahoma in the past year. Future growth will be in Chicago, with at least one store opening this year, said owner Lowell Edelson.

The local concentration will allow more efficient management of stores, said Edelson, who helped to pioneer deep discounting when he owned F&M Distributors.

Castle closed its Fort Lauderdale store last year, after landlord problems developed when the store's roof caved in. It sold a second West Palm Beach company unit to Freddy's Deep Discount stores. A franchise in Tulsa, Okla., closed last year after the owner died in an auto accident.

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Vol. 8, No. 13 June 9, 1986

Peoples adds key players to top management team

ALEXANDRIA, Va. — Peoples Drug Stores continues to remake its organization chart, with moves hinted at last month when it named David Eisenberg as its first coo ever.

Eisenberg, who is also executive vp at the nation's No. 7 drug chain, will directly oversee four top managers as he concentrates efforts on marketing, distribution and operations in the chain's drive toward a 3% net-to-sales ratio, $2 billion sales and 1,000 stores.

Appointments made

The appointments made by chairman, president and ceo Sheldon W. "Bud" Fantle were:

- Jeffrey M. Fantle as senior vp-operations.
- Frederick W. Edwards as senior vp-marketing, Eisenberg's former post.
- William J. Eagleson as senior vp-distribution and merchandise control.
- Leonard J. DeMino as corporate vp-pharmacy.

In addition, Joseph A. Pollard was named senior vp-corporate relations and advertising.

The younger Fantle, 38, comes to his post after serving as president and coo of the Lane Drug division since 1980. He'll replace Nicholas Simon, 62, who plans to retire.

Edwards, 46, a pharmacist by background, is being elevated from the president and coo spot at the Reed Drug division in Atlanta, a position he's had since 1981.

Eagleson, 49, will take his spot after four years as vp-merchandising at Peoples' mid-Atlantic and Midwest divisions.

To oversee Peoples' DCs

Eagleson will directly oversee Peoples seven distribution centers totaling 1.1 million sq. ft., which handle roughly 70% of all the merchandise sold at Peoples stores. He fills a vacancy left by Robert Chrichlow's retirement last November.

He'll also set inventory level goals, open-to-buy, and develop monitoring systems as merchandise controller.

With the appointment of DeMino, 56, Peoples is apparently reaffirming its commitment to pharmacy operations. In his newly created post of corporate vp-pharmacy, DeMino will set corporate policies on pharmacy practice, pharmacy computer systems and third-party insurer HMO and PPO relationships.

He joined Peoples 30 years ago as a staff pharmacist, and after a series of moves, served as vp-professional services in the mid-Atlantic division the past 10 years.

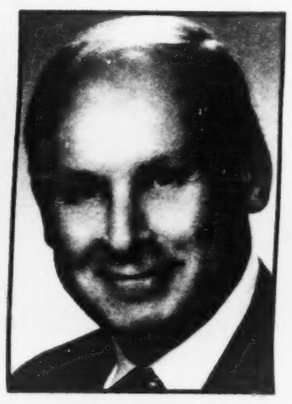
Pollard, 62, joined Peoples in 1970 as director of advertising

3 execs join *DrSN* board

Three key industry members have joined the *Drug Store News* Board of Advisers and Board of Pharmacy Advisers.

Gary Wilber

Frank Newman



Charles Trefrey

Stepping onto the first board are Gary Wilber, Drug Emporium executive vp, and Frank Newman, F & M Distributors president and ceo. In addition, Charles Trefrey, executive vp of the National Wholesale Druggists' Association, replaces the esteemed late William Ford, also of NWDA, on the pharmacy board.

Like their co-board members, Wilber, Newman and Trefrey will be instrumental in enhancing the overall quality of *Drug Store News*' industry coverage by helping its reporting and management staff identify key trends within the retail drug community.

Wilber functions as the coo responsible for all operations in both company-owned and franchised Drug Emporium stores, which make up the largest single network of deep discount outlets in the country and could be about 200 stores by the end of 1986.

Newman came to F & M earlier this year with the objective of readying the deep discount chain for an explosion in store counts, from 26 to more than 100 by 1990.

Newman was previously executive vp-franchised operations at Household Merchandising.

He was lured from Woolworth, where he helped chart that variety chain's new merchandising course as senior vp and gmm-hard lines.

Trefrey earned his post at the NWDA when it merged in late 1984 with the Drug Wholesalers Association, where he'd held a similar top spot. Tapped to replace Ford as NWDA president upon his scheduled retirement at the end of this year, Trefrey was named acting ceo.

NWDA represents 95% of the wholesale drug industry.

Rx chains deny porno charge

WASHINGTON — Major U.S. drug store chains denied "porn pusher" charges leveled during hearings by the Justice Department's Commission on Pornography.

In testy letters to the Attorney General's Office, Rite Aid, Revco, Dart Drug and Thrifty challenged testimony by the Rev. Donald Wildmon of the National Federation of Decency alleging that the drug chains are "major retailers of porno material." The drug store corporations fired back rebuttal letters after the Justice Department asked more than a dozen top chains to respond to testimony by an "anonymous" witness (later identified as Wildmon).

Companies reply

Using nearly identical words, Revco and Rite Aid officials declared that their companies are sensitive and committed to "the goodwill of the communities in which we do business."

"It is this sensitivity to the community standards which determines whether we will offer adult publications for sale," said I. Lawrence Gelman, Rite Aid associate counsel.

Like Gelman, Revco senior vp Martin Zeiger stressed his company's awareness of community standards.

"With all due respect to Mr. Wildmon, his assertion that a publication is pornographic does not, ipso facto, make it so," Zeiger said.

Rite Aid and Revco officials said that magazines banned by law or court decisions or that violate "clear community standards" are not sold in company stores. In addition, both chains have instructed employees that the publications cannot be sold or be accessible to minors.

Thrifty Corp. assistant vp Gary S. Meade also denied "categorically" that the company retails "porno magazines."

"We only sell magazines that are mainstream publications requested by the general public," Meade stated. The store carries "commonly accepted " titles as *Playboy* and *Penthouse*.

Acknowledging sales of "men's sophisticates magazines," Robert J. Goldstein, Dart Drug senior vp, said such magazines are " behind a locked case with panels covering everything but the titles. . . ."

Sale discontinued

Despite the vigorous defense of adult magazines stocked by their chains, Dart Drug and Rite Aid officials elected to discontinue sales of controversial publications such as *Playboy* and *Penthouse* following disclosures by the commission. Others that have recently withdrawn "adult" magazines are Peoples, Eckerd, Gray Drug Fair and 7-Eleven.

FINANCIAL

Arbor stock hits $22 a share

TROY, Mich. — Arbor Drug stock promptly rose three points after its initial stock offering was placed at $19 a share on April 29. The growth—which topped out at $22 a share before falling slightly—was the result of strong investor interest in the company, according to a spokesman for one of the three underwriters.

The two million shares offered were at the high end of the $16 to $19 a share price named in the prospectus because of investor demand and the number of orders placed, Arbor's performance, and the stock market climate, a source close to Arbor said.

Popular offering

"It was a very popular offering," he added. About one-third of the shares were traded on the first day, a level that indicates buyers were eager to enter the market to acquire more shares.

"A lot of people were very happy with the stock, and some people wanted to go in and get more," the broker said.

Proceeds from the offering, which was announced last month, will primarily fund Arbor's expansion plans, including a probe into the Southern markets of Charlotte, N.C., and Myrtle Beach, S.C. The company sold 900,000 shares, and Arbor owners unloaded 1.1 million shares to the public.

Traded under the symbol "Arbor," the stock closed at 22 at presstime, with 94,600 shares traded on the NASDAQ Over-the-Counter market.

Owens & Minor sales up

RICHMOND, Va. — Owens & Minor reported 22% higher sales and flat earnings in the first quarter ended March 31.

Sales climbed to $106 million, up from $87.2 million in the comparable quarter a year ago.

Net income, however, remained at a constant $1.1 million.

The company reported that operating profit in its wholesale drug division was flat in the quarter for two reasons: a gross margin decline prompted by competitive pressures, and an operating loss in Miami.

The medical/surgical division, meanwhile, hiked its operating profits 17% in the quarter, despite the burden of heavier inventories, more spending on warehouse space and material handling equipment, and higher interest expense to prepare for its new contract to serve Voluntary Hospitals of America.

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION				
		From 05/09/86 - 05/20/86							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change			5-Year Annual Growth Rate	Profit Margin		Indicated Dvd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)	
Name	Symbol	High	Low	Close	Change Amt	Change Pct	52-Week High	52-Week Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.		Pct			Latest P/E Ratio	Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$		%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$
Chain Store transactions																											
Am Stores	ASC	57.75	53.50	53.75	-3.75	-6.52	68.25	53.50	-.29	-1.38	2.79	-3.33	4.11	-1.60	F	-28.0	30.0	1.1	13.1	.84	1.6	03-24-86	13889.5	154.5	1.2	34.45	24.44
Begley Co	BGLY	22.50	21.50	22.50	.50	2.27	23.50	15.50	.13	.39	-3.12	71.66	1.26	.50	N	42.7	10.0	1.1	13.5	.72	3.2	04-15-86	66.1	.7	1.7	13.77	18.84
Big B	BIGB	16.50	15.50	15.50	-1.00	-6.06	17.88	12.63	.53	-1.54	7.11	27.12	.61	-.07	F	-10.3	21.0	2.3	25.4	.00	.0	09-21-83	175.4	4.0	1.9	1.19	5.23
Drug Sys	DRGS	5.25	5.25	5.25	.00	.00	6.13	3.75	.19	.16	2.62	-60.90	.35	-.97	N	-100.0	NC	1.2	NE	.50	9.5	01-06-86	104.7	1.3	3.2	1.13	6.18
Fay's Drug	FAY	10.13	8.88	8.88	-1.00	-10.13	11.75	8.00	-.28	-2.63	1.39	14.94	.20	-.42	F	-67.7	21.0	.6	44.4	.20	2.3	03-21-86	445.1	2.8	2.6	4.00	4.30
Genovese Drug	GDX	14.25	12.88	13.38	-1.00	-6.96	15.00	9.13	.26	.83	.60	-12.98	.73	-.30	F	-29.1	39.0	1.2	18.3	.20	1.5	04-08-86	233.2	2.9	1.7	2.06	5.73
Longs Drg Strs	LDG	33.50	30.13	30.88	-2.13	-6.44	35.38	24.75	-.23	-1.28	-3.87	22.19	1.74	-.14	F	-7.4	8.0	2.5	17.7	.72	2.3	02-26-86	1480.8	37.7	1.9	.00	13.33
Medicare Glaser	MGCO	4.00	3.50	4.00	.25	6.67	5.00	3.50	-.36	.16	-1.05	33.23	.05	-.49	N	-100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52
Medicine Shoppe	MSII	27.50	27.00	27.50	.75	2.80	27.50	21.00	.52	.07	1.54	-11.77	.84	.14	S	18.2	47.0	22.4	30.2	.00	.0	00-00-00	13.4	3.0	9.2	.00	5.08
Perry Drug	PDS	18.63	17.50	18.00	.25	1.41	18.75	12.59	.38	-.59	-1.07	-27.71	.98	.18	Q	22.2	16.0	1.8	18.2	.22	1.2	05-19-86	521.6	9.6	2.0	9.77	7.79
Revco Drug	RDS	39.13	37.13	37.50	-1.50	-3.85	39.88	23.13	.33	-.82	-.85	-15.71	1.06	-1.01	N	-51.3	-6.0	1.6	39.1	.80	2.1	02-19-86	2395.6	38.9	1.7	1.22	12.48
Rite Aid Corp	RAD	31.75	30.50	31.63	.13	.40	33.75	21.50	.28	.16	-3.47	-26.70	1.52	-.17	F	-10.1	8.0	4.0	20.8	.58	1.8	04-14-86	1564.1	62.5	1.9	2.02	8.58
Thrifty Cp	TFD	28.25	27.25	28.25	.50	1.80	29.88	18.13	.13	.30	5.55	18.15	1.60	.13	S	8.6	16.0	2.3	17.1	.64	2.3	05-05-86	1404.9	31.9	1.7	5.86	6.85
Walgreen Co	WAG	37.38	34.63	36.00	.75	2.13	37.38	22.50	.15	-.25	2.58	-17.03	1.53	.14	S	9.4	19.0	3.0	22.1	.50	1.4	05-15-86	3161.9	94.2	1.8	1.17	7.83
Wholesaler's transactions																											
Alco Hlth	AAHS	25.13	23.50	23.50	-1.50	-6.00	25.38	12.75	.24	-.67	2.35	26.17	1.10	1.19	S	NC	NC	1.4	19.7	.00	.0	00-00-00	955.4	13.0	1.7	.07	8.38
Bergen Bruns	BBCA	30.75	29.13	30.25	-.38	-1.22	37.25	24.50	-.34	-.17	6.00	9.78	1.82	.20	S	12.4	14.0	1.0	16.7	.32	1.1	01-28-86	2434.9	24.2	1.7	11.12	12.07
Bindley Wstn	BIND	11.63	11.25	11.50	-.13	-1.08	15.00	7.75	.31	-.06	4.21	14.66	.79	.10	Q	13.2	21.0	.8	13.4	.00	.0	05-01-85	626.9	5.2	2.3	8.51	6.30
Cardinal Distrb	CDIC	24.50	24.25	24.25	.75	3.19	25.25	14.22	.00	-.04	-1.45	-17.62	.92	.42	N	46.7	NC	1.2	18.4	.08	.3	03-25-86	320.0	3.7	1.7	.85	8.04
Durr Fillauer	DUFM	14.63	14.38	14.50	.25	1.75	15.25	9.25	.06	.33	2.51	19.63	.78	.01	Q	1.3	12.0	1.4	18.1	.16	1.1	05-19-86	427.1	6.1	2.7	5.30	6.69
Ketchum	KCH	21.00	19.63	19.75	-1.00	-4.82	23.25	14.75	.11	.17	-1.67	13.24	.56	-.01	N	-2.2	NC	.2	44.9	.00	.0	09-23-85	273.7	.6	1.4	7.87	7.52
McKesson Cp	MCK	57.38	55.00	57.13	1.50	2.70	61.25	44.00	-.07	.90	-1.49	3.53	3.96	.36	F	10.0	.0	1.2	14.4	2.40	4.2	05-27-86	6285.0	77.9	1.5	12.99	30.40
Moore Med	MMD	20.38	19.63	19.88	-.50	-2.45	24.25	15.75	-.28	-.02	1.22	-33.21	1.45	.29	Q	25.7	16.0	2.5	14.0	.00	.0	05-23-85	147.9	3.7	2.7	2.30	6.87
Owens & Minor	OBOD	18.13	17.50	17.63	-.50	-2.76	20.25	13.38	-.03	.23	1.47	6.23	1.14	.10	Q	9.7	16.0	1.2	15.6	.28	1.6	03-14-86	367.3	4.4	2.6	7.15	9.34
Manufacturer's transactions																											
Abbott Labs	ABT	87.00	83.63	85.50	-.50	-.58	91.88	52.50	-.03	.05	-.02	11.97	3.88	.61	Q	17.6	17.0	13.8	21.0	1.68	2.0	04-09-86	3360.3	465.3	2.1	3.70	15.64
Am Home Prod	AHP	82.00	80.38	82.00	1.38	1.71	88.38	54.75	-.14	.15	-3.43	-10.22	4.70	.36	Q	8.1	10.0	15.3	17.0	3.10	3.8	05-07-86	4684.7	717.1	3.4	.00	15.19
Baxter Travenol	BAX	20.63	18.88	19.50	.25	1.30	20.63	12.38	.15	-1.17	2.77	-20.26	.85	.48	Q	200.0	-13.0	5.8	27.1	.40	2.1	03-11-86	2355.0	137.0	1.9	12.21	9.86
Block Drugs Co	BLOCA	24.50	24.00	24.50	.75	3.16	26.25	15.31	.38	.37	-4.07	-14.53	1.70	.22	N	13.6	12.0	10.5	13.3	.50	2.0	02-25-86	247.8	25.9	2.4	1.59	10.91
Bolar Pharm	BLR	24.88	23.75	23.75	-.63	-2.56	25.25	12.00	.48	-.71	-3.88	7.86	.71	.17	Q	26.2	21.0	17.7	29.0	.05	.2	02-24-86	38.4	6.8	6.5	.00	4.42
Bristol-Myers	BMY	77.00	75.00	76.75	.25	.33	81.88	53.63	.04	.10	-.68	4.69	3.86	.42	Q	11.8	13.0	12.0	19.3	2.20	2.9	03-31-86	4444.0	531.4	2.5	.83	17.75
Carter-Wallace	CAR	60.25	58.25	59.00	-.88	-1.46	66.25	32.38	-.06	-.13	.22	-16.67	3.63	.97	F	36.5	22.0	6.9	16.3	.60	1.0	04-14-86	400.2	27.6	2.2	1.53	23.37
Forest Labs	FRX	18.31	16.50	17.38	-1.00	-5.44	19.69	10.56	-.33	.16	2.81	-50.85	.98	.61	F	164.9	28.0	16.0	17.7	.00	.0	05-16-86	42.4	6.8	4.5	.11	2.95
ICN Pharm	ICN	11.88	10.25	11.75	.75	6.82	15.63	8.50	-.55	2.66	-1.89	49.34	-2.10	-2.11	Q	-100.0	NC	-29.1	NE	.00	.0	00-00-00	62.8	-18.3	2.7	5.08	3.00
Key Pharm	KPH	18.75	17.75	18.63	.25	1.36	19.38	7.13	.18	.23	-2.65	23.43	-.02	-.57	Q	-93.4	NC	-.5	NM	.00	.0	09-09-85	152.1	-.8	3.4	2.52	1.60
Lilly Eli Co	LLY	70.88	67.88	69.75	-.88	-1.24	76.25	40.50	-.06	.38	.04	12.83	3.69	.27	Q	7.7	10.0	15.8	18.4	1.80	2.6	05-09-86	3270.6	517.6	1.9	1.71	17.12
Lee Pharm	LPH	30.50	23.50	30.13	4.13	15.87	30.50	4.63	2.18	6.19	3.89	22.56	.40	.27	S	87.1	NC	6.6	51.9	.00	.0	00-00-00	12.2	.8	3.1	.00	2.49
Leiner P Nutri	PLIN	14.25	13.50	14.00	.00	.00	15.00	8.25	-.16	.35	1.61	-30.74	.78	-.10	N	-12.5	NC	4.1	20.0	.00	.0	00-00-00	53.6	2.2	2.5	.00	4.90
Marion Labs	MKC	71.88	69.00	70.25	.00	.00	71.88	31.25	.52	-.12	-.52	9.34	.94	.45	N	52.9	41.0	12.2	54.0	.40	.6	06-16-86	295.7	36.2	2.1	.00	4.17
Merck & Co	MRK	187.50	178.50	183.63	3.75	2.08	187.50	103.50	.31	-.36	-.62	-20.20	7.58	1.15	Q	16.8	7.0	15.2	23.0	3.60	2.0	02-27-86	3547.5	539.9	1.9	2.43	37.54
Morton Thiokol	MTI	37.50	34.88	35.25	-2.38	-6.31	40.50	30.00	.14	-.33	-1.52	-11.24	2.50	-2.66	N	-67.9	13.0	6.7	28.0	.70	2.0	05-19-86	1832.3	122.8	1.8	3.25	15.00
Mylan Labs	MYL	26.50	22.00	26.00	3.25	14.29	27.13	13.50	.07	3.02	.27	2.07	.86	.34	F	65.4	79.0	25.6	30.2	.10	.4	12-27-85	80.8	20.7	5.9	.09	1.22
Newport Pharm	NWPH	7.50	7.00	7.00	-.50	-6.67	14.50	6.25	.14	-.70	-2.91	-32.53	.05	-.08	N	-100.0	NC	6.7	NE	.80	11.4	05-23-85	9.0	.6	3.2	.21	.96
Par Pharm	PARP	16.25	15.25	16.00	.00	.00	23.25	14.25	.06	-.62	-.80	-2.78	.47	.08	S	16.0	75.0	14.1	27.6	.00	.0	00-00-00	21.3	3.0	2.2	.92	2.33
Pfizer Inc	PFE	60.63	57.38	60.25	.00	.00	64.88	43.75	-.08	.37	1.17	1.58	3.44	.35	Q	10.9	16.0	14.4	17.0	1.64	2.7	05-14-86	4024.5	579.7	2.2	1.97	17.87
Robins, AH	QRAH	11.75	10.38	11.25	-.50	-4.26	19.38	5.50	-.77	-.63	-.27	13.77	2.53	20.78	Q	NE	NC	8.7	4.4	.00	.0	11-19-84	706.1	61.4	3.8	.31	-1.95
Rorer Group	ROR	40.50	37.50	38.25	-1.25	-3.16	47.00	29.50	.16	.00	.66	-60.49	1.72	-.21	Q	-10.1	1.0	10.9	20.5	1.12	2.9	05-05-86	338.1	36.8	1.5	1.72	12.29
Scherer RP Co	SCHC	12.25	12.00	12.00	-.38	-3.03	16.50	10.75	-.50	.06	.41	-1.23	-1.23	-.80	F	NE	NC	5.7	NE	.32	2.7	03-07-86	185.8	10.6	1.7	4.07	9.72
Scher Plough	SGP	72.50	68.13	70.75	-.50	-.70	75.00	44.00	.09	-.03	-.27	31.15	3.77	.43	Q	12.2	-1.0	10.0	17.9	1.80	2.5	04-28-86	1927.1	192.6	1.6	4.04	28.59
Squibb Corp	SQB	95.25	90.38	95.25	1.38	1.46	106.00	59.13	-.21	1.23	1.59	.89	4.20	.64	Q	17.0	26.0	11.1	21.6	2.00	2.1	05-12-86	2041.7	226.6	2.1	3.52	27.41
Sterling Drug	STY	44.38	42.38	43.25	-.88	-1.98	47.13	29.50	-.09	.10	-.22	-24.28	1.83	-.51	Q	-21.2	-2.0	6.3	22.8	1.32	3.1	05-02-86	1753.7	109.7	2.2	1.47	15.75
Syntex Corp	SYN	59.50	54.38	59.00	1.25	2.16	59.50	28.88	.11	1.55	-1.00	.41	4.65	3.11	S	154.7	29.0	15.8	11.5	1.20	2.0	05-12-86	948.5	150.0	2.3	2.77	10.83
Thompson Med	TM	21.00	18.75	18.75	-1.38	-6.83	21.00	11.75	.82	-.87	3.01	-9.65	1.18	-.75	Q	-39.5	8.0	8.1	16.3	.40	2.1	03-24-86	136.8	11.1	5.5	.00	7.43
Upjohn Co	UPJ	89.00	82.38	84.38	-2.50	-2.88	90.50	50.38	.33	-.81	1.14	3.43	3.29	.85	Q	32.6	3.0	10.1	24.4	1.52	1.8	05-02-86	2017.2	203.0	2.1	6.08	20.88
Warner-Lambrt	WLA	59.50	54.50	56.25	-3.38	-5.66	59.75	33.75	.22	-.81	.37	-15.14	-4.05	-6.83	Q	-100.0	NC	-9.9	NE	1.56	2.8	05-05-86	3200.1	-315.6	1.4	4.47	11.12
Zenith Labs	ZEN	33.38	27.25	32.25	2.50	8.40	36.63	17.38	-.28	3.79	3.07	-14.85	1.46	1.04	Q	216.7	79.0	19.5	21.2	.00	.0	06-19-85	80.5	15.7	3.7	.17	3.41

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:
NA - Not Applicable
NC - Not Calculable
NE - Negative Earnings
NM - No Meaningful Figure
Q - First Quarter
S - First 6 Months
N - First 9 Months
F - Fiscal Year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISING TRENDS

Checkstands: It's what's up front that counts

By Al Heller

Drug store operators are focusing on checkstands to help improve store productivity during the current period of lackluster sales growth and minimal inflation.

Eckerd, Fay's and Genovese have refixtured checkstand displays more in supermarket style, or are planning to do so this year, to give more display frontage and mass setup appeal to the typically high-impulse and high-margin products sold by checklanes.

Moreover, Rite Aid set up a new front-end planogram last month that includes space for in-and-out promotional items, and might experiment soon with low-priced novelty toys. Dart changes a portion of its front-end planograms every three months to keep them up to date and provide ample space for timely seasonal goods.

Speed a priority

Dart makes that effort despite its continuous advertising of 600 items each week and lack of electronic price lookup. Consequently, front-end speed is more a priority than impulse sales at the checklanes, but displays here give the chain another shot to reassert its image as a strong seasonal retailer.

On the West Coast, Thrifty has been giving its managers more leeway in setting up checkstand displays. All stores must have a rack for travel items, and managers must follow the headquarters-mandated assortment, but managers can now stock the end displays of two checkstands on their own, according to a company source.

Many managers, he said, have opted for the mass impact of single "good value" items, such as a manicure/pedicure set at $1.79 or a 5-pack of disposable lighters at $2.99.

Visual interest stimulant

The manager of a company-owned Drug Emporium said front-end displays are switched around every six weeks to stimulate visual interest and jar shoppers into recognizing what's for sale there.

On the other hand, Woolworth's deep discounter Rx Place intentionally keeps a clean front-end, displaying just one item per checkstand in a bow to the front-end speed requirements of a heavily trafficked store. During a recent visit, checkstand ends had items as diverse as boxed candies and plastic bottles of Hershey chocolate syrup.

These are just a few examples of how major chains across the country are fine-tuning performance from their most valuable piece of real estate: the checkstand.

How important do drug chains consider this part of the store? So important that presidents and vice presidents of operations and merchandising are cumulatively involved 50% of the time in checkstand decisions.

A key survey finding

This is one of the key findings in *Drug Store News'* 1986 Checkstand Merchandising Study, which was researched this spring by parent company Lebhar-Friedman Inc. A national telephone poll of headquarters executives and store managers yielded findings that reflect the spotlight shining on checkstand merchandising.

Heavy high-level headquarters involvement, tight planograms and specific product characteristics for checkstand items reinforce the high-stakes nature of front-end merchandising.

Genovese vp-marketing Don Gross summed up the urgency of making front-ends as profitable as they can be: "We involve the highest levels of marketing, merchandising and operations, but have also used recommendations from store managers to make some of our best decisions."

He spoke of a stringent planogram program, but also noted that the chain "doesn't mind when some of our more experienced store managers experiment, as long as our basic merchandising direction is followed."

Gross voiced the thoughts of a lot of drug industry management when he noted "store manager prejudice against magazines or periodicals because of the margins. But when you consider 15-18 turns a year and retail display allowances of 5% or more, they deserve to be there."

Team effort

Fay's president Dan Herrmann said that he, merchandising managers and store presentation executives determine front-end planograms after listening to input from store managers—

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Testing products up front depends on who's talking

HQ, managers go for different approaches

How willing are drug chains to experiment with different types of products at checkstands?

As long as merchandisers consider a product to be high impulse, fast turning and high margin, unusual products apparently stand a better chance today than ever before.

Respondents named novelty toys, seasonal goods, jewelry and selected items attractive to children and young teens as items they've tested in the past year. Rite Aid, as an example, is considering the addition of low-priced novelty toys to the high stakes front-end turf.

Two approaches

But the answers to this question reveal two distinctly different approaches to checkstand merchandising—one from headquarters executives and the other from store managers. And this ongoing difference may be making some vp's balder earlier than they'd like.

Specifically, 33% of headquarters respondents said they'd placed a new type of product at checkstands in the past year. Store managers said they'd done it 52% of the time.

Store managers seem to be doing their own product performance testing at front-ends, whether headquarters execs say it's all right or not. The pressure to make numbers is resulting in noncompliance by store managers, who named a wider variety of items under checkstand test in the past year.

Store managers named 15 items to the 11 cited by headquarters merchandising and operations executives.

The main reason voiced by store managers for moving items like earrings, candy and kids' jewelry to the checkstand is to reduce the possibility of theft.

They've also brought watches, pearl beads, convenience foods, books and artificial roses to the front-end and have seen sales increase as a result.

Reduce risk of theft

Almost two-thirds (63%) of store managers polled rated "reduced risk of theft" as being very important in their product selection, compared with just 27% of headquarters executives surveyed.

Store managers also attached more importance to sale items, 33% compared to 7%, and items of excellent value, 37% against 23%, in their checkstand product selection.

There are differences, too, in items most favored at checkstands. The clearcut winners among headquarters and store respondents were candy/gum/snacks, cigarettes/tobacco and books/magazines.

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Checkstand favorites

Candy/gum/snacks	100%
Cigarettes/tobacco	33
Batteries	23
Books/magazines	20
Cigarette lighters	17
Razors/blades	17

Percentages add up to more than 100% because of multiple responses from headquarters respondents, who named these as one of their three most favorite items to display at checkstands year-round.

Source: *Drug Store News* survey

What makes a checkstand item appealing?

Impulse appeal	93%
Quick turnover	83
Broad consumer appeal	73
Inventory turns	70
Sales per sq. ft.	70
High margin	60
Display allowances	40
Less risk of theft	27
Value	23
Mfr. display available	10
Sales items	7

Per cent of headquarters respondents who mentioned these factors as "very important." Store-level respondents correlated closely, except on less theft, named by 63%, and sales items, named by 33%.

Source: *Drug Store News* survey

Key Findings

Key findings of *Drug Store News'* 1986 Checkstand Merchandising Study include:

- More chains are planograming, raising the industry total to 47%.
- Candy/gum/snacks are the unanimous checkstand favorite among headquarters executives, more than tripling the frequency of mention for cigarettes and tobacco products, which are the second most preferred items for front-end display.
- Store manager compliance with front-end planograms is far from complete. Just 26% of store managers polled said they were aware of a planogram and followed it.
- "Reduced risk of theft" is the No. 1 reason store managers will place selected items at checkstands. A notable 63% of store managers polled said this was a "very important" factor in their product selection, compared with 27% among headquarters executives surveyed.
- Store managers apparently test new products at the checkstand without headquarters knowledge. More than half, 52%, said they'd experimented with a new item at the checkstand in the past year, compared with 33% of headquarters executives.
- Drug chain presidents and vps of operations and merchandising are cumulatively involved 50% of the time in checkstand merchandising decisions. They typically incorporate comments from store and district managers in their decisions.

The hottest checkstand categories

CANDY

Snickers
Hershey Kit Kat
Reese Peanut Butter Cup
M&M Peanut
York Mints
M&M Plain
Milky Way
Hershey Almond
Twix
Charms BlowPops
Three Musketeers
Sunline Assorted
Hershey Mr. Goodbar
Heide Gummi Bears
Peter Paul Almond Joy
Charms Pops
Snickers King Bar
Mars
Peter Paul Mounds
Hershey Milk Chocolate
Pay Day
Baby Ruth
Butterfinger

CIGARETTES

Marlboro King Soft Pack
Marlboro Flip Top Box
Kool King
Winston King
Marlboro Lights King Soft Pack
Salem Light King
Newport Soft Pack
Salem King
Pall Mall King
Salem Light 100
Merit King Soft Pack
Winston Light King
Marlboro Lights King Box
Salem 100
Marlboro Light 100 Soft Pack
Winston 100
Merit 100 Soft Pack
Marlboro 100 Soft Pack
Virginia Slim Lights 100 Menthol Box
Winston Light 100
Kool Long
Benson & Hedges 100 Menthol Soft Pack
Vantage King
Virginia Slim Lights 100 Box
Carlton 100

GUM

Wrigley Doublemint
Wrigley Spearmint
Wrigley Juicy Fruit
Dentyne
Wrigley Doublemint PlenTPak
Wrigley Freedent Spearmint
Wrigley Freedent Peppermint
Wrigley Big Red Cinnamon
Bubble Yum Wacky Fruit
Bubble Yum Bubble Gum
Bubblicious Wild Strawberry
Trident Spearmint
Chewels Sugarless Bubble Gum
Trident Cinnamon

MINTS

Velamints Peppermint Sugar Free
Life Savers Peppomint
Certs Peppermint
Certs Spearmint
Lifesaver Breath Savers Sugar Free Peppermint
Velamints Spearmint Sugar Free
Mentos Mint Roll
Certs Cinnamon
Tic Tac Assorted
Life Savers Wintergreen
Velamints Wintergreen Sugar Free

WATCHES

Casio
Armitron
Timex

COUGH DROPS

Halls Mentholyptus Tablets
Halls Cherry
Halls Honey Lemon
Halls Ice Blue
Ludens Wild Cherry
Halls Sugar Free Mentholyptus
Ludens Menthol

CIGARETTE LIGHTERS

Bic Disposable Singles
Bic Twin Pack
Gillette Cricket 4pk
Bic 4pk
Scripto Limited Edition
Bic Butane Disposable
Scripto Ultra Light

SHAVING NEEDS

Bic Disposables 5's
Gillette Atra 5's
Gillette Good News 10's
Gillette Good News Pivot 3's
Gillette Good News 5's
Schick 5's
Gillette Good News 3's
Gillette Atra Blades 10's
Gillette Good News Pivot 5's
Bic 10's

SUNGLASSES

Foster Grant
Visual Scene
Bonneau
Opti-Ray
Cool-Ray Optics
Polaroid

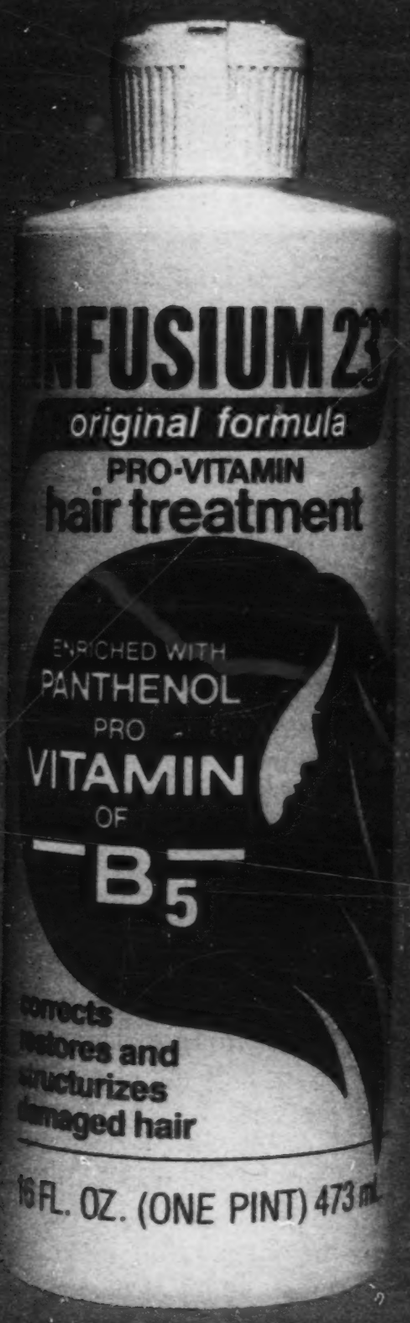
BATTERIES

Duracell 2-D
Duracell 4-AA
Duracell 2-AA
Duracell 2-C
Eveready Energizer 2-D
Eveready Energizer 4-AA
Eveready Super Heavy Duty 2-D
Eveready Super Heavy Duty 4-AA

OTHER

Magazines/newspapers
Film
Lip balms
Trim nail implements
Jewelry
Novelties
H&BA trial sizes
Playing cards
Pocket calculators

Source: Drug chain movement data



INFUSIUM
THE BEAUTY IS, IT

MERCHANDISING TRENDS

Front end theme: Show more

Seasonal checkstand favorites

Winter

Lip balm
Christmas/Valentine candy/cookies
Ice scrapers
Cold medicine/supplies
Gloves
Scotchtape
De-icers

Spring

Candy, especially Easter candy
Lawn and garden supplies
Suntan lotion
Umbrellas
Sunglasses
Charcoal

Summer

Suntan lotion
Candy and cookies
Soda
Sunglasses
Charcoal

Fall

Candy, especially Halloween and Christmas candy
Back to school supplies
Film
Holiday gifts

Source: *Drug Store News* survey
Combined headquarters and store-level responses

Continued from page 15

and they expect full compliance at the store level.

Planograms at the nation's 15th-largest drug chain do include about 15% flex space for store manager discretion on the display of seasonal items, he said.

Earlier this year, Fay's began using different cigarette pack and candy racks that provide 30% more display space without cluttering checklanes, Herrmann said.

That seems to be a recurrent theme: Show more product and build more profits without slowing the checkout transaction.

Views differ

But the way chains eye profits here varies widely: "You can sell every square inch [through retail display allowances] or go totally seasonal, which could make sense for a different retailer, or any combination in between," Herrmann summed up.

"For us it's a combination of RDA's and individual product performance. Very few things are dead heats," he added, referring to how Fay's selects one brand for checkstand display over another. "Buyer negotiations and a close examination of velocity are critical."

Perry Drug also took steps in the past year to clean up its checkstand act, according to vp-corporate merchandising David Peterson. A study by the chain's productivity department showed checklanes were overcrowded by merchandise displays, and they hindered the flow of customers through checkouts.

"Customers couldn't even place down their purchases on the counters," he said.

Perry responded with a strict planogram program that controls the space devoted to displays and the products appearing at the front-end. Perry currently reserves space by the back of each cash register for gum and cigarette lighters and sets a magazine rack on the counter.

Since the candy department is usually set adjacent to checkstands at Perry, Peterson feels the impulse feeling is already there and senses no further need to stock candy directly at the registers.

More space for candy

The A. D. Clark chain in Los Angeles, on the other hand, has carved out additional display space for candy bars at 3 out of 6 checkstands in each store. It recently added a 24x8-in. metal rack above magazines, bringing 49¢ big block bars to eye level for greater impulse without upsetting the core display configuration.

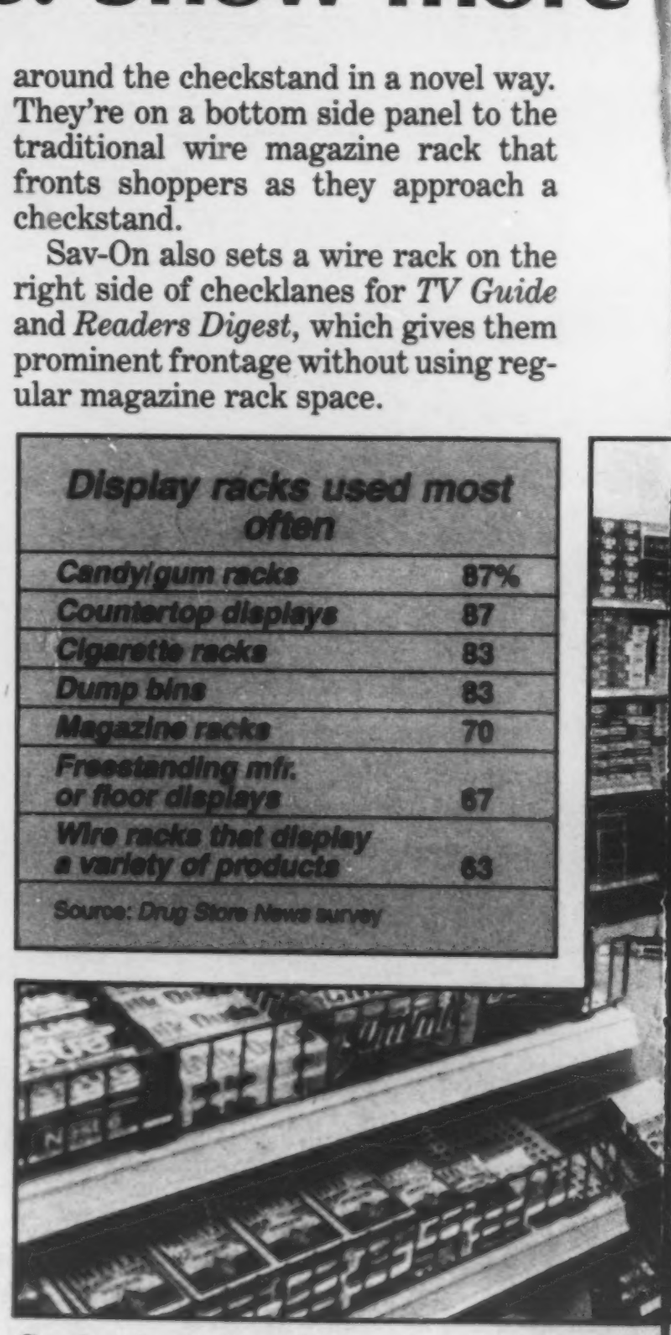
At Sav-On in the same market, *Good Housekeeping*, *Cosmopolitan* and *Los Angeles* magazines are wrapped around the checkstand in a novel way. They're on a bottom side panel to the traditional wire magazine rack that fronts shoppers as they approach a checkstand.

Sav-On also sets a wire rack on the right side of checklanes for *TV Guide* and *Readers Digest*, which gives them prominent frontage without using regular magazine rack space.

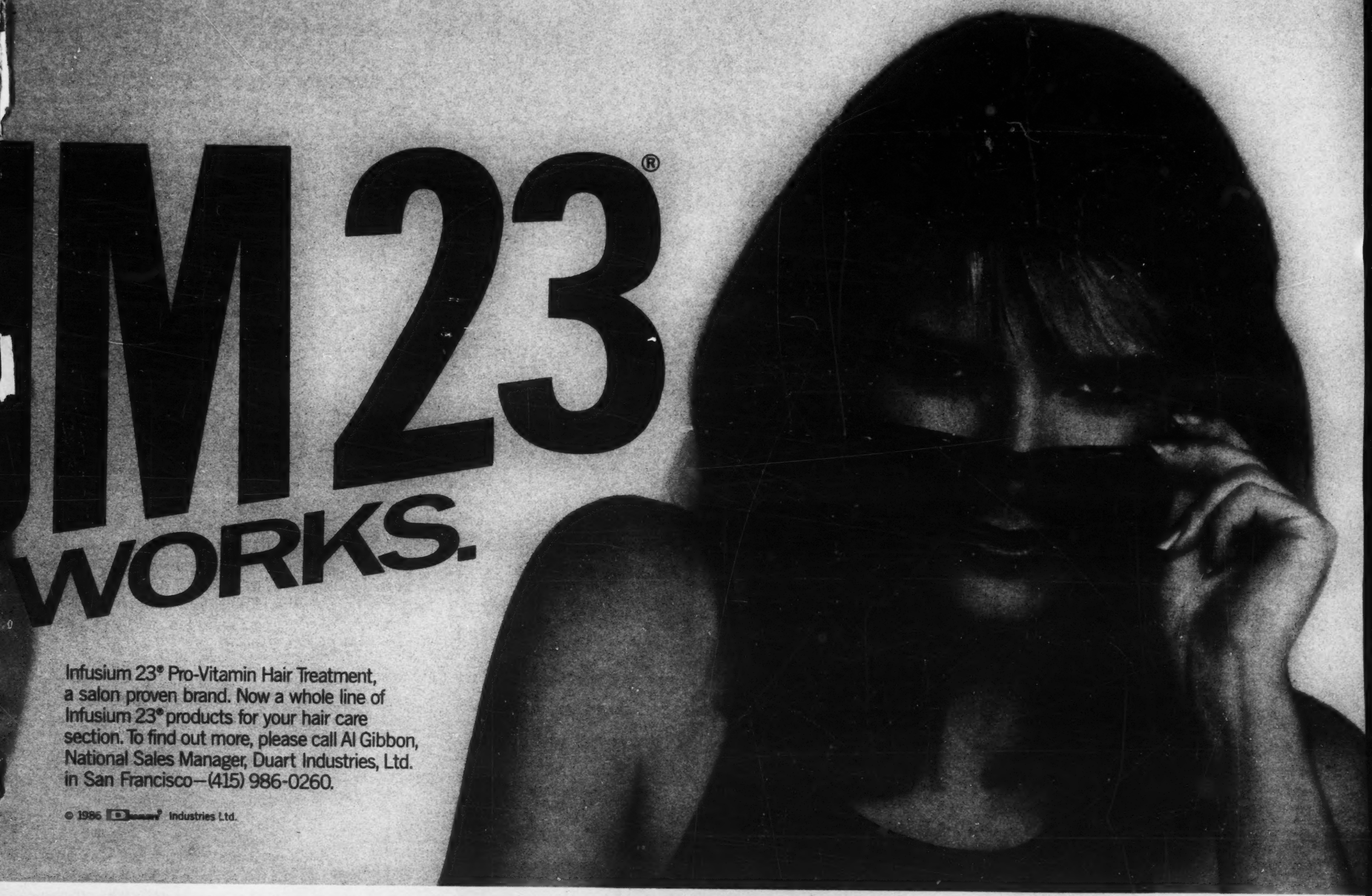
Display racks used most often

Candy/gum racks	87%
Countertop displays	87
Cigarette racks	83
Dump bins	83
Magazine racks	70
Freestanding mfr. or floor displays	67
Wire racks that display a variety of products	63

Source: *Drug Store News* survey



Candy, cigarettes remain among the favored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Checkstand strategies

MERCHANDISING TRENDS

items, speed checkout

Planograms changed

At Dart Drug Stores on the East Coast, vp-merchandising Allan Nehman works with three assistant vp's to determine planograms that change every three months to match assortments to seasons.

Dart stores have four to eight checklanes, each with a planogrammed pegboard and a 4-ft. seasonal display near-

checkstand items as at Eckerd, Dallas.

by, said assistant vp-merchandising Ed Brandeis.

"We don't tolerate any deviation from store managers," he said. "If we come up with a new checkstand item, we tell managers exactly where to put it and the product it replaces."

Dart, which lives by its advertising and mass displays, takes a slightly altered approach to checkstand merchandising. While devoting some space here to its strength, seasonal goods, Brandeis recognizes "you still can't really sell at the checkstand, but just make people aware you have certain items. And they probably all have to be priced less than $5, or you lose the spontaneity."

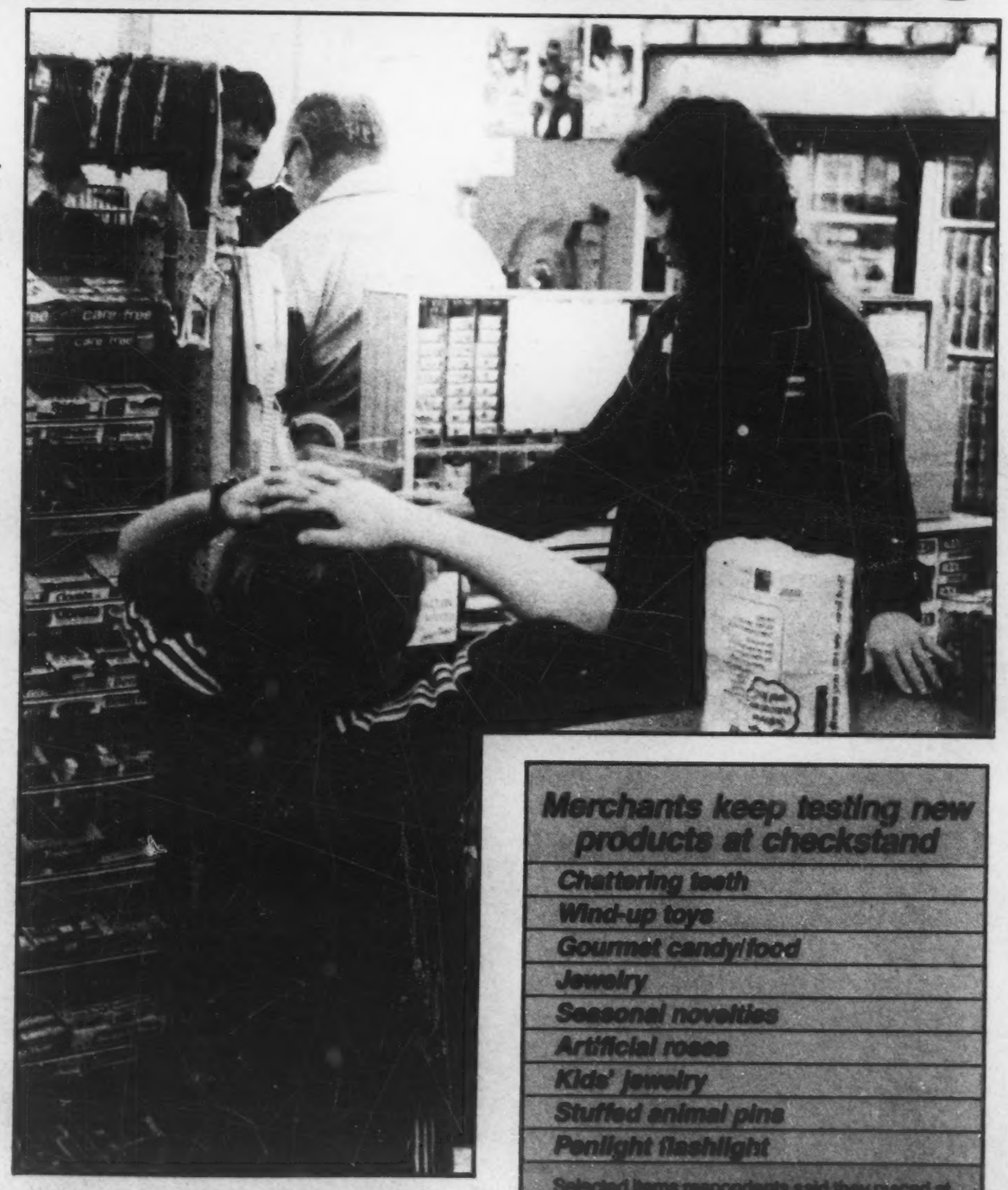
To borrow a classic ad slogan, to retailers it's what's up front that counts.

* * *

The 1986 *Drug Store News* Checkstand Merchandising Study is based on interviews with 57 merchandising, operations and store-level executives from among the Top 100 drug chains. Thirty were headquarters interviews and 27 store-level.

People interviewed are directly involved in merchandising the main checkstand areas for their retail chains.

Telephone interviews were conducted between March 27 and April 10, 1986, by professional interviewers under the direct supervision of Lebhar-Friedman Research.



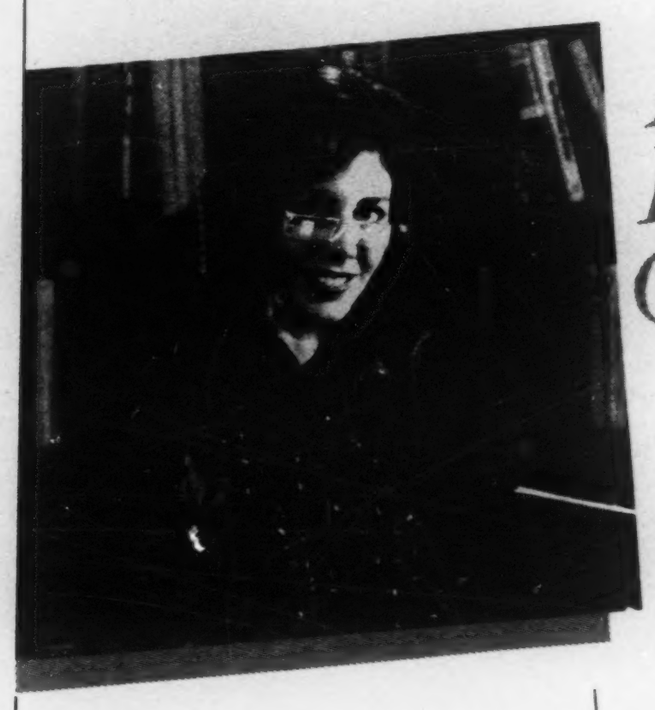
Space-efficient racks at Longs, Livermore, Calif., allow for more high-impulse, high-margin items at front end.

Merchants keep testing new products at checkstand

- Chattering teeth
- Wind-up toys
- Gourmet candy/food
- Jewelry
- Seasonal novelties
- Artificial roses
- Kids' jewelry
- Stuffed animal pins
- Penlight flashlight

Selected items respondents said they placed at checkstands for first time in past year.

Source: *Drug Store News* survey



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MERCHANDISING TRENDS

Store managers

Products most frequently endcapped	
Health & beauty aids	47%
Seasonal	23
Cleaning/household supplies	17
Promotional items	13
Sale and new merchandise	13
Advertised specials	10
Sundries	10
Candy/gum	10
Groceries	7
Cosmetics	7

Source: *Drug Store News* survey, headquarters respondents.

In contrast to checkstand merchandising, which is largely headquarters-driven, endcaps throughout stores are left pretty much under store manager domain.

Store managers, in fact, were named by three out of four store-level respondents and one in three headquarters executives as having responsibility for endcap decisions. In both instances, store managers had clearcut recognition as the key influence.

Presidents, vice presidents and buyers were each named just 10% of the time by headquarters people surveyed and just 4% of the time by those at store level.

The decentralized approach evident in these findings reflects the far different nature of endcap products from those that might typically appear by checkstands.

Endcap items

Endcaps are far more likely to include in/out promotional merchandise, seasonal products that could vary by region, merchandise tailored to local market needs, consumables and health & beauty aids. Because movement of each of these products could differ greatly by store location, industry logic says to leave endcap merchandising to the hands-on decision maker on

Testing

Continued from page 17

However, batteries were perceived far more strongly by merchandising executives, 23%, than by store managers, of whom just 4% said they'd want to display them at checkstands all year long.

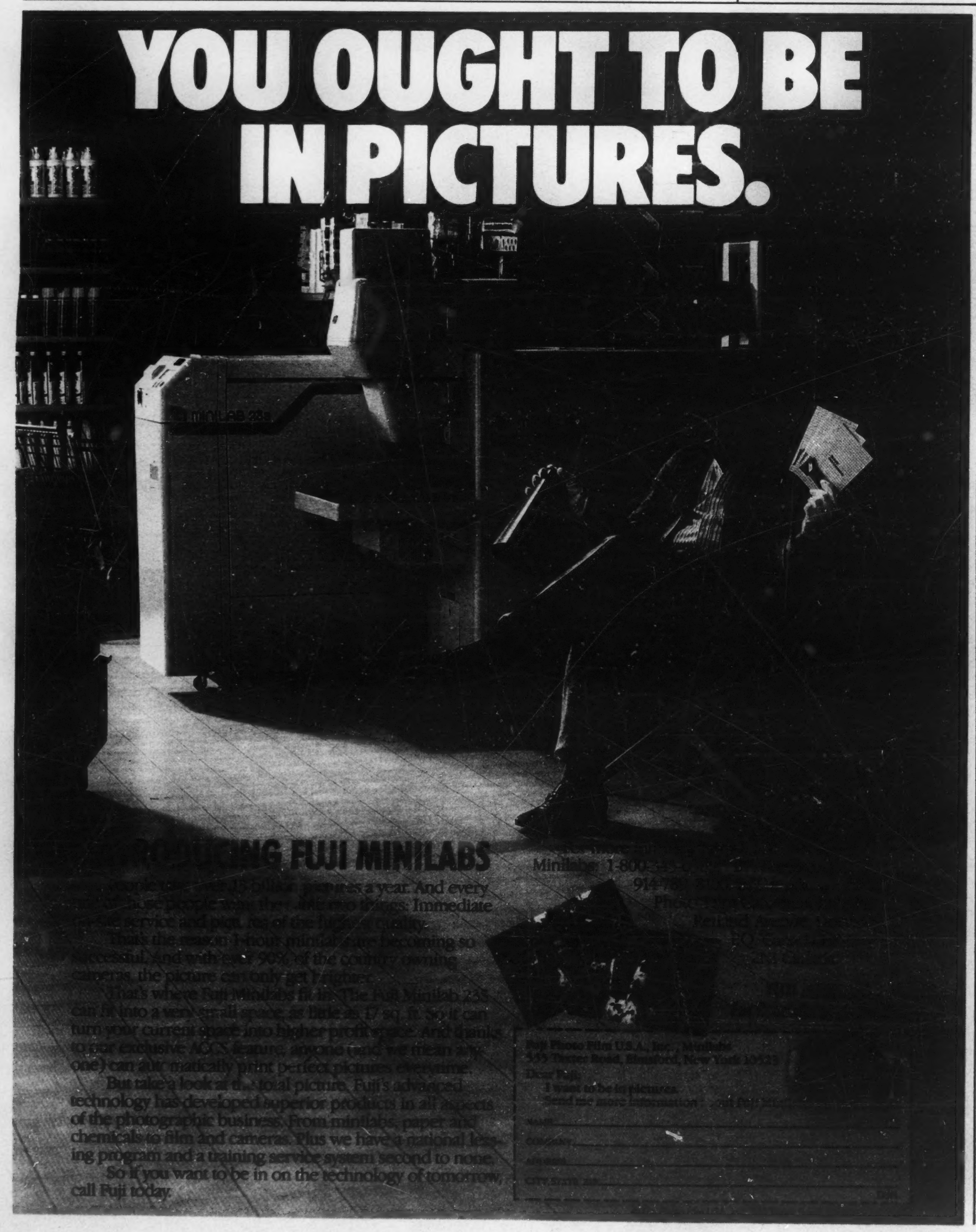
Similarly, 17% of headquarters execs opt for razors and blades and cigarette lighters at checkstands, compared with 4% and less of store managers.

On the other hand, store managers were more than twice as likely than merchandising and operations directors to place novelty and trend items by the checklanes, 15% compared with 7%.

They concurred, however, on some of their favored seasonal checkstand items. They are, according to survey findings: lip balm in winter; Easter candy, flowers and garden supplies in spring; suntan lotion in summer; and back-to-school supplies and Halloween and Christmas candy in fall.

Perhaps because they recognize the venturesome nature of store managers, chains have increasingly turned to planograms at the front-end to achieve new disciplines and more consistent performance from store to store.

Today, 47% of retail drug chains planogram their check-



Checkstand strategies

call the shots on endcaps

the scene: the store manager.

While chains typically use endcaps for mass display appeal of a particular product, Peoples Drug is one chain that can effectively use an endcap by the front end to convey a complete themed message.

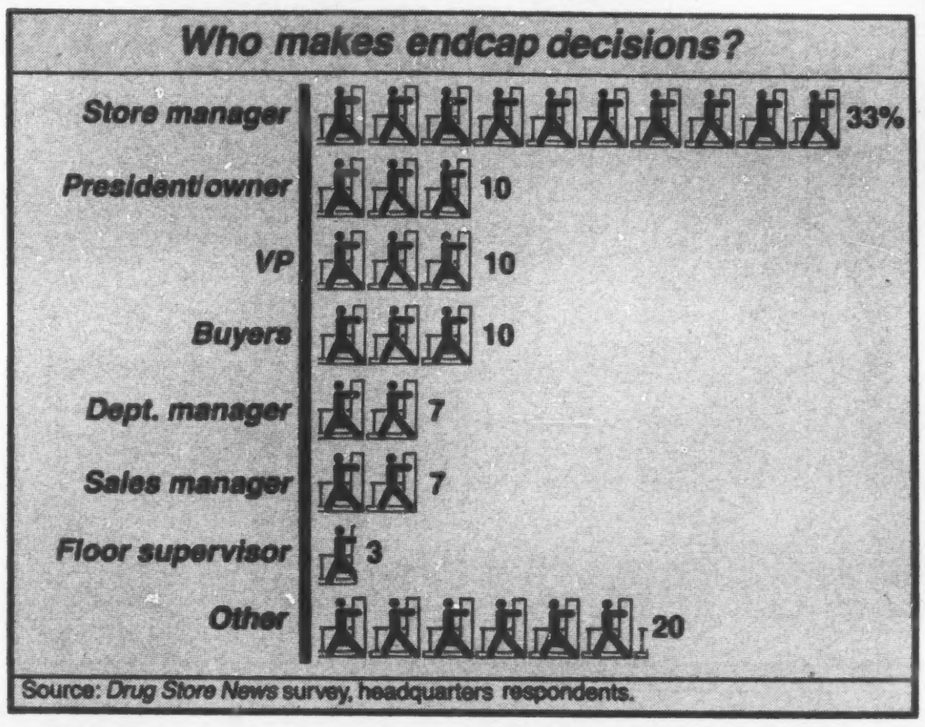
A recent visit to a store near its Virginia headquarters revealed that Peoples used an endcap opposite its entrance and front cash register to tell a back-to-school story. A single endcap had on it crayons, pens, type, memo pads, glue, writing tablets, spiral notebooks, portfolios, three-ring binders and trapper keepers.

That sort of endcap stressed seasonal needs in the highest visible location and benefited from front-end traffic.

Building impulse buys

Similarly, Perry builds a strong impulse feeling for candy purchases by usually setting its candy department, with endcaps, opposite checkstands. That eliminates the need to stock candy directly at the registers.

When store managers were asked what products they'd most likely merchandise on endcaps, 44% said seasonal. This was followed by 30% who said "anything/everything" as long as it's inherently high impulse or tied to advertising or a special promotion.

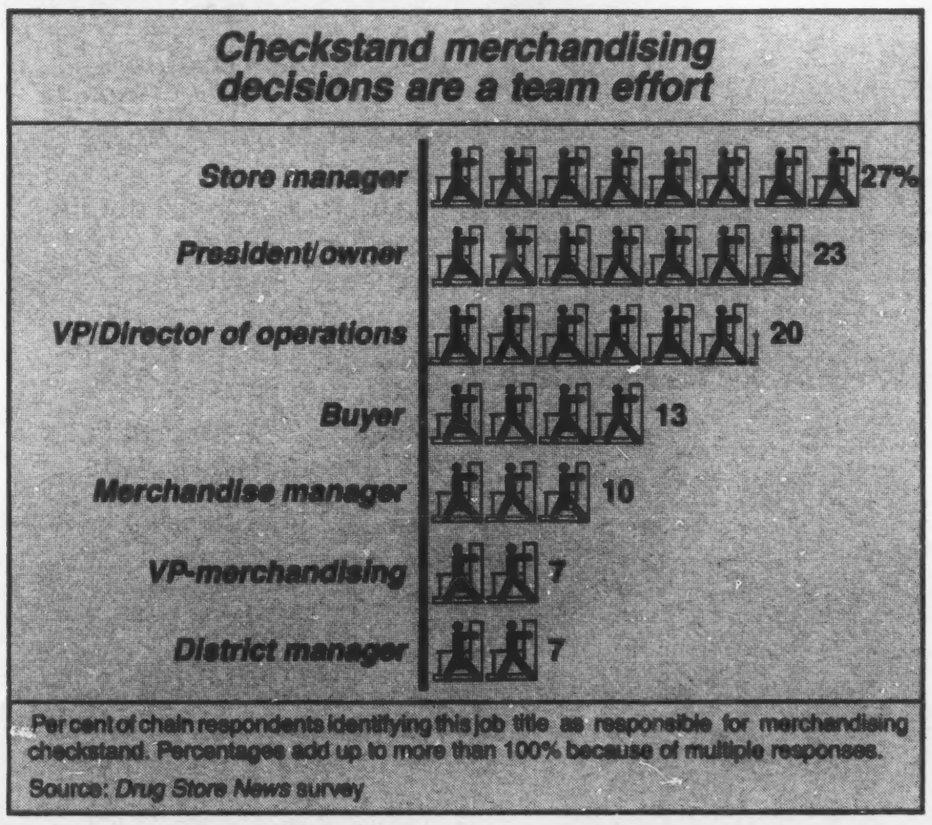


Nearly one store manager in five, or 19%, said candy/cookies/snacks would be appropriate endcap items; 15% said health & beauty aids.

Not surprisingly, these perceptions differed from those voiced by headquarters merchandising and operations executives. Nearly half, or 47%, felt H&BA was suitable for endcaps. This was followed by 37% who said "anything/everything" and nearly one in four, or 23%, who cited seasonal products.

The perception wasn't as high for other products, whose frequency of mention ranged from 17% down to 10% among headquarters respondents. They are cleaning and household supplies, promotional items, sale and new merchandise, ad specials, sundries and candy/gum. Respondents often named more than one product.

depends on talker



stand displays, according to survey findings. Compliance isn't total, however. Just 26% of store managers polled said they were aware of one and followed it.

Checkstand planograming

Central management at some chains are acutely aware of this enforcement problem, and allow some portion of checkstand display space for store manager discretion. Some chain executives said they tolerate some deviance from planograms as long as managers follow the chain's main merchandising direction, while others dictate every square inch.

There's probably little that can change the way either side thinks about checkstand merchandising.

Headquarters executives can just hope their managers don't consider possession to be nine-tenths of the law.

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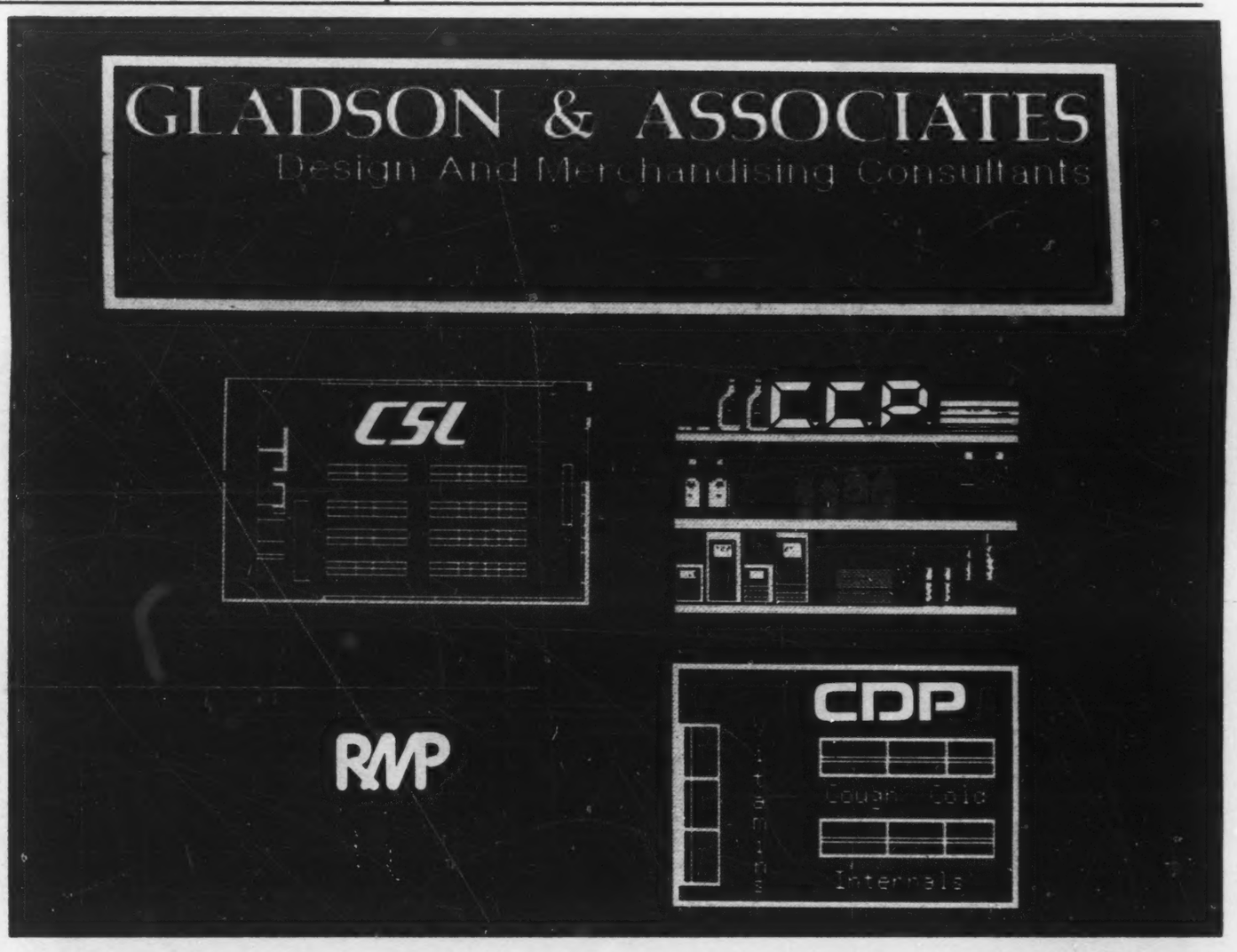

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Cosmetics outlook—p. 15

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DRUG STORE NEWS

Vol. 8/No. 14 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. June 23, 1986

Eckerd has opened up its pharmacy department and added a neon sign for easy visibility.

Eckerd enters fray with 'Spartan' look

By Bruce Buckley

CLEARWATER, Fla. — Eckerd Drug took the wraps off its new Spartan prototype, the centerpiece for an extensive remodeling program on which the chain is investing a considerable chunk of its capital budget.

The unveiling of the new prototype, with its clean, uncluttered look and emphasis on shopper convenience, signals a major shift toward remodeling as a vehicle for improving Eckerd's return on assets.

At the Jack Eckerd Corporation's recent annual meeting, the last as a public company, chairman and ceo Stewart Turley said the chain will be cutting back on the number of new store launches from about 100 a year to 50.

Plans remodeling

Eckerd will use its remaining capital dollars for an accelerated remodeling program. Two hundred and fifty stores will be refurbished this year and 300 in 1987, with a total of as many as 900 by the end of the decade. New stores will be used to increase penetration of existing markets rather than opening new ones.

With the Spartan program in high gear, Eckerd has already introduced the new look in 55 stores, most of them in Florida and the rest in Charlotte, N.C., Dallas and Houston.

The focus on Florida indicates the importance of the state's markets to Eckerd, which has key locations there but has been under increasing

See **Eckerd,** *page 70*

Calif. utility courts Thrifty with $875M stock swap

By Lou Karney

LOS ANGELES — Despite the unhappiness of some Pacific Lighting shareholders over the Thrifty merger, there is no groundswell that could lead to a proxy fight.

Shareholder discontent over diluted earnings contributed to a drop of almost two points in Pacific Lighting stock within 48 hours of the announcement.

Sarah Stack, analyst for Bateman Eichler, Hill Richards, noted, "I have never seen utility shareholders sufficiently aggressive to thwart a merger."

Jonathan Ziegler, analyst for Sutro & Co., said that "even if the dissenting view adds up to 7% or 8% (vs. the usual 3%-4%), the deal should go through. The merger should pay off in the future by adding to Pacific Lighting's growth because Thrifty's growth rate is higher than Pacific Lighting."

See story on Thrifty's Perfecto, page 50.

Under the merger deal, Thrifty shareholders will receive 17.2 million shares of Pacific Lighting common stock, worth $875 million at the time of the announcement. However, two days later the stock dropped almost two points, reducing the value to $802 million.

The announcement of the merger caught observers by surprise. After 57 years of Thrifty's independence, Leonard Straus, Thrifty's

See **Thrifty,** *page 70*

Late News

LOS ANGELES — Thrifty Corp. said at presstime that it had sold its 34% interest in Crown Books and its 50% interest in Trak Auto. Thrifty sold its interest in the discount book chain to Crown Books Corp. for $13.45 a share, or $37 million. Its holdings in the auto parts chain went to Trak Auto Corp.

More super foodstores in New England

Stop & Shop to add 26 stores

BOSTON — Stop & Shop Companies will spend $225 million to open at least 26 more super foodstores between now and the end of 1988, chairman Avram Goldberg told stockholders at its annual meeting here.

That will more than double its roster of super Stop & Shop foodstores, 25 at presstime, to be clustered within current southern New England markets, primarily Connecticut, Rhode Island and Massachusetts.

Virtually all will have pharmacies, Goldberg told *Drug Store News*, except those in Massachusetts, where the company has so far failed to overturn a state restriction against pharmacies in food stores. That has so far limited its count of pharmacies to 14, another company official said.

Another hearing granted

"I'd like every superstore to have a pharmacy," Goldberg said, as he drew a parallel between now and "the early days" when chain drug stores first entered Massachusetts. He said a recent court decision in that state has gotten the company another hearing before the State Board of Pharmacy, but he didn't make any prediction.

See **Stop & Shop,** *page 70*

Lewis Schaeneman Jr., Stop & Shop supermarket division president, will oversee seven new superstores in 1986, with high-margin specialty departments.

Bergen Brunswig gains in S. Calif. with LAD buy

LOS ANGELES — Bergen Brunswig was the winning bidder for Los Angeles Drug (LAD), the $160 million-a-year wholesale drug division of the Di Giorgio Corp. The price was $40 million in cash.

A Di Giorgio exec told *Drug Store News* that "several other drug wholesalers made offers," but declined to name them.

A knowledgeable source identified two of them as Fox-Meyer and McKesson.

A wholesale drug exec expressed surprise that Fox-Meyer was not more aggressive. "It may be their last chance to gain a foothold on the West Coast. The two remaining majors are Northwestern Drug and Amfac. Amfac is not for sale, and Fox-Meyer's deal for Northwestern feli through last December."

Bergen's purchase of LAD

See **Bergen,** *page 70*

Bergen Brunswig tears up track: Adds sales of $950M in 20 months

Company	Acquired	Sales (millions)
The Allen Co.	Oct. 1984	$ 70
Synergex Corp.	Jan. 1985	331
Davis Bros.	June 1985	110
Cibcoa	Sept. 1985	80
Berry Wholesale	Jan. 1986	50
Southwestern Drug	May 1986	150
Los Angeles Drug	June 1986	160

Source: Company reports

Brides, romance sell prestige scent See page 12

Public acceptance sparks incontinent sales See page 58

NEWS IN BRIEF

Dart to test POS equipment

LANDOVER, Md. — Dart Drug Stores, which recently placed $160 million in debentures (see related story, p. 6), has also received a commitment from IBM to test point-of-sale equipment in four stores in late summer.

Dart eyes full chainwide implementation within 12 to 18 months, said senior vp-merchandising Al Nehman, and will use some proceeds from the offering to help fund it.

The front-end equipment seems to be particularly important to Dart, which advertises 500 items a week but has no price lookup capability now. Labor savings, enhanced front-end speed and elimination of ringup errors is expected to provide ample return on investment.

In addition to POS and new store expansion, debenture proceeds will be used to replace an existing revolving credit line from General Electric Credit Corp. that has a potential cap of $63 million, with a $25 million revolver with commercial banks.

Vons acquires Pantry

EL MONTE, Calif. — Vons Grocery Co., operators of 39 pharmacies in its combos, added one more with the acquisition of the 10-store Pantry division of Cullum Companies.

The pharmacy is in the 41,000-sq.-ft. food/drug combo that Pantry opened in December 1985.

Pantry, like its Tom Thumb/Page sister division in Dallas, operates upscale stores. Cullum bought Pantry in 1966.

The sale of Pantry—following the sale of the 34-store Hinky-Dinky division in Omaha early in 1985—confines Cullum's operations to Texas, where it has 70 stores.

Med-Glaser reports $623K net loss

ST. LOUIS — Medicare-Glaser Corp. reported a net loss for the year ended March 31. Sales increased 4.7% to $81.7 million.

The company said the loss of $623,000, or 20¢ a share, was the result of operating losses in its medical database subsidiary, Professional Drug Systems; increased competition as well as the cost of a market share enhancement program in St. Louis; and the cost of converting many pharmacies to full-line drug stores.

In the fourth quarter, Medicare-Glaser sales increased 3.3% to $20.9 million, but the company reported a loss of $410,000, or 13¢ a share, compared to a $500,000 loss, or 17¢ a share, a year earlier.

Commercial sale of interferon O.K.'d

WASHINGTON, D.C. — The FDA has approved the commercial sale of interferon for the treatment of a rare form of cancer called hairy cell leukemia.

The approval marks the first time that interferon, discovered 30 years ago, will be available with a doctor's prescription. The FDA granted its approval to Hoffman-La Roche Inc. of Nutley, N.J., which developed Roferon in conjunction with Genentech Inc., a biotechnology company located in South San Francisco.

Schering-Plough Inc., of Madison, N.J., received approval to market its product, Intron, developed in conjunction with Biogen Inc., a Cambridge, Mass., biotechnology company.

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Vol. 8, No. 14 June 23, 1986

SGC plans '86 expansion

$200M targeted for food and drug units

SECAUCUS, N.J. — Supermarkets General moved its deep discount operations into Virginia this month as part of an ambitious 1986 growth program for the sharply priced drug segment.

The retail conglomerate opened a Pathmark Super Drug store in Hampton, Va., as the first of seven new deep discount units planned this year. It's part of a record $200 million corporate capital expenditure program to expand the food and drug businesses.

"We're planning to aggressively expand the deep discount business," said James Dougherty, executive vp, at the company's annual meeting here.

Aiming at 25 deep discounters

The company wants to end the fiscal year in February with 25 deep discount stores, by adding a combination of 22,000-ft. Super Drug stores and new 21,000-sq.-ft. Heartland Drug deep discount units.

In other business, stockholders authorized the issuance of 100 million shares of common stock—five times the prior amount and 2½ times the amount needed to cover a two-for-one stock split also ratified by holders.

The authorization gives Supermarkets General flexibility to effect mergers or acquisitions, or to dilute earnings per share to foil any takeover effort, officers said. They added that the split to 40 million shares outstanding was meant to stimulate investment by halving the price per share.

Letter of intent signed

To further concentrate on its food and drug businesses, the company last month signed a letter of intent to sell its Howland Steinbach-Hochschild department store division to Amcena Corp., a New York apparel and specialty department store firm.

Ernest Ostreicher says Drug Mart's Indianapolis unit will stock "99%" of major H&BA brands.

Drug Mart grows in Midwest

DAYTON, Ohio — Drug Mart, an expansion-minded deep discounter based here, is throwing its hat into two new Midwestern metro markets.

Activity by eight-year-old Drug Mart is helping to make the Indianapolis market a showcase for veteran low-price drug chains.

Drug Mart opened its first Indianapolis store this month, with plans for at least one more by July, when it will also break into Cincinnati with one store.

Expects expansion

Ernest Ostreicher, Drug Mart's president, said the business could grow to 20 stores within four years, with the financial backing of New York investment banker Stephen Schwarzman, who formed a partnership with Ostreicher recently.

Ostreicher believes his "classic" approach to deep discounting spells trouble for some in Indianapolis. Drug Mart sticks to consistently broad brand-name assortments in core drug store departments, without straying from its deal-buying strategy.

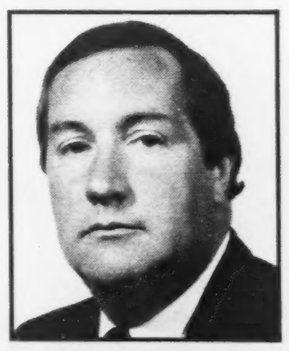
Indianapolis now boasts five deep discount chains, including three Drug Emporium stores, two Peoples Bud's stores, two F & M Distributors stores and one Rite Aid Drug Palace. Peoples and Hook's are the dominant conventional chains.

Industry sources feel the market is still understored and can support at least twice the number of deep discounters. But they may also trample each other, given the aggressive expansion programs planned by several.

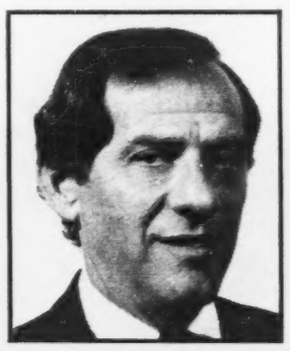
Market sources said Drug Mart is looking at as many as four sites here, although Ostreicher wouldn't confirm.

Cincinnati is more typical of a Midwestern metro market in having less penetration by drug deep discounters. Drug Emporium and SupeRx's Drug World are the only two players so far.

Dayton, where Drug Mart operates four stores, is saturated, according to Ostreicher, who shares the market with Drug Castle, a local low-price operator.



John P. Manton



David Forman

James N. Schwarz

Peoples appoints 3 sr. vp's

ALEXANDRIA, Va. — Peoples Drug Stores announced the final wave of its senior management restructure, naming three executives to report to chairman Sheldon "Bud" Fantle.

They are:

- John P. Manton to the newly created post of senior vp-corporate development and real estate.
- David Forman as senior vp-human resources.
- James Schwarz as senior vp-legal.

In his new position, Manton will coordinate efforts of real estate vp's who report to their divisional coo's and set standards and practices for leasing, maintenance and operation of all real estate.

Manton will also be directly responsible for all specialty retailing, subsidiary and experimental operations at Peoples, including: seven Bud's deep discount stores; Hardee's fast-food franchises; 52 in-store and five freestanding optical centers, including Eye City; four home health care stores; Hillcrest Sales, a rack jobber, and B. H. Krueger, a manufacturer of private label and national brand fragrances, powders and lotions.

Manton, 43, had been coo of Peoples' mid-Atlantic division since 1980, after serving four years as vp-operations.

Forman, who has served as corporate vp-human resources since 1976, is another former Lane executive. He served as personnel director there since 1971.

Schwarz, 41, has been vp-legal at Peoples since 1980 and a board member since 1984. He joined Peoples 13 years ago as corporate secretary and house counsel, and was promoted to general counsel in 1977.

FINANCIAL

Dart gains freedom in debt restructuring

By Al Heller

LANDOVER, Md. — Dart Drug Stores fared better in the financial marketplace than it had anticipated.

The 79-store chain placed a $160 million senior debenture offering, due 2001, at a fixed 12.7% interest rate. That's $10 million more at an approximate 0.8% more favorable interest rate than the company had estimated in its initial prospectus dated Feb. 25.

Financial Analysis

"That speaks for our strong reception by the investment community and the strength of the bond market at the time," chairman Stephen Hansbrough told *Drug Store News*. "It gave us the opportunity to raise more funds at a fixed rate."

Use undecided

He said Dart hadn't yet targeted a specific use for the extra $10 million, except that "maybe it means we use less from our revolver."

The offering, underwritten by Prudential-Bache Securities, is rated B2 by Moody's and B- by Standard & Poor's.

Dart now has a measure of financial freedom unprecedented since it went private in a $160 million leveraged buyout two years ago. This offering defers all principal repayments until 1994—and enhances cash flow approximately $48 million over the next five years, compared with its previous debt structure.

Dart is using the new funds to retire all debt owed General Electric Credit Corp., the LBO group's sole lender. Dart will thus avoid repaying GECC $100 million in principal over the next five years out of funds from operations.

To redeem preferred shares

Moreover, Dart will redeem all preferred shares held by GECC, although the lender will keep its 30% common stock share in the retail drug chain.

Dart executives told *Drug Store News* the chain will probably seek a public stock offering well before any principal repayments are due. Close estimates are two to three years from now.

Meanwhile, Dart has the resources to pursue its competitive plans against Peoples and Gray Drug Fair in the Greater Washington market. Hansbrough wants to position Dart as "the hometown chain . . . downtown in a big way . . . to service everyone who lives and works here," often using a new downsized prototype for urban locations.

Dart also plans to expand conventional stores to help cover about three dozen nearby targeted suburban areas throughout the late 1980s.

4 stores in 6 months

Dart has opened four stores in the past six months and is committed to 10 in 1986 and a schedule of approximately a store a month over the next three years to raise its roster to 120, said Al Nehman, senior vp-merchandising.

Two of the four stores are 5,000-sq.-ft. prototype formats, one in an office building and another in a low-income area. A third is 7,000 sq. ft. in a high-income downtown area, and the fourth, a 10,000-sq.-ft. store in Wheaton, Md. The two larger stores are former Gray Drug Fair sites.

Two more openings are on tap, said Nehman: an 8,500-sq.-ft. store in Falls Church, Va., and a 5,000-sq.-ft. store at 18th and M, one of the busiest intersections in the capital's downtown.

Perry sales jump 31% in 1st half; profits up 6%

PONTIAC, Mich. — Despite higher interest and insurance costs, Perry Drug Stores achieved record sales and earnings for the second quarter and six months ended April 30.

Sales for the second quarter increased 27% to $147 million from $116 million in the comparable period a year ago. Net income rose 10% to $1.1 million from $1 million. Fully diluted earnings per share were up 20% to 12¢ from 10¢ last year.

For the six months, sales were $310 million, a 31% gain over the $237 million achieved in the same period last year. Earnings increased 6% to $4.8 million, or 48¢ a share, from $4.5 million, or 46¢ a share, in the earlier period.

Jack Robinson, chairman and ceo, said he expected that higher interest and insurance expenses would continue to be "a significant factor in the next six months, particularly given the well-publicized changes in escalating expenditures in liability insurance being experienced in our industry and in general."

Cardinal profits rise 64%

DUBLIN, Ohio — Cardinal Distribution reported record net earnings up 64% in the fiscal year ended March 29, on a 34% sales gain.

Earnings jumped to $6.03 million, up from $3.68 million a year earlier, and included a gain arising from the private placement of a minority interest in its Mr. Moneysworth subsidiary last November.

Sales rose to $429 million, up from $320 million in the previous year. Both sales and earnings results included contributions from John L. Thompson Sons, the drug wholesaler acquired last January.

Net earnings and sales also grew in the fourth quarter. Net was up 18% to $1.22 million from $1.04 million. Sales gained 16% to $111.9 million from $96.6 million.

Chairman and ceo Robert D. Walter cited "strong sales growth and continued emphasis on cost control."

Big B net, sales up 20%-plus in 1st qtr.

BIRMINGHAM, Ala. — Big B recorded a 20.8% gain in sales and a 28.4% increase in net earnings for the first quarter ended May 10.

First-quarter sales for the 143-store chain increased to $54.4 million from $45 million in the year-earlier period, while net income was $1.6 million or 24¢ a share, compared with $1.3 million, or 19¢ a share, a year ago.

The company opened eight new drug stores during the quarter.

		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 05/23/86 - 06/04/86								Latest 12 Months vs Preceding 12 Months Change				
					Change		52-Week		Last Fiscal Year			Latest P/E Ratio	Indicated Dvd. Rate	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low		Amt.	Pct.		Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	65.63	57.00	62.75	6.00	10.57	68.25	53.13	4.11	-1.33 q	-23.8	14.7	.84	1.3
Begley Co	BGLY	21.00	21.00	21.00	.00	.00	23.50	15.50	1.26	.50 n	42.7	12.6	.72	3.4
Big B	BIGB	17.88	16.25	16.50	1.13	7.32	17.88	12.63	.61	-.04 q	-5.7	25.0	.00	.0
Drug Sys	DRGS	5.50	5.13	5.38	.25	4.88	6.13	3.75	.35	-.97 n	-100.0	NE	.50	9.3
Fay's Drug	FAY	11.25	9.13	10.88	1.75	19.18	11.75	8.00	.20	-.50 q	-87.7	NM	.20	1.8
Genovese Drug	GDX	14.50	13.75	14.25	.38	2.70	15.00	9.63	.73	-.30 f	-29.1	19.5	.20	1.4
Longs Drg Strs	LDG	34.00	32.50	33.25	.75	2.31	35.38	24.75	1.74	-.19 q	-9.9	19.2	.76	2.3
Medicare Glaser	MGCO	4.00	3.75	3.75	.25	7.14	5.00	3.50	.05	-.49 n	-100.0	NE	.00	.0
Medicine Shoppe	MSII	32.00	27.25	31.25	3.75	13.64	32.00	21.00	.84	.14 s	18.2	34.3	.00	.0
Perry Drug	PDS	20.88	18.50	19.63	1.13	6.08	20.88	12.75	.98	.18 q	22.2	19.8	.22	1.1
Revco Drug	RDS	37.50	36.50	37.00	-.50	-1.33	39.88	23.13	1.06	-1.01 n	-51.3	38.5	.80	2.2
Rite Aid Corp	RAD	35.25	32.50	32.88	-.38	-1.13	35.25	21.50	1.52	-.17 f	-10.1	21.6	.58	1.8
Thrifty Cp	TFD	40.38	31.75	35.88	3.88	12.11	40.38	18.13	1.60	.13 s	8.6	21.7	.64	1.8
Walgreen Co	WAG	38.50	36.38	37.00	.50	1.37	38.50	22.50	1.53	.14 s	9.4	22.7	.50	1.4
Wholesaler's transactions														
Alco Hlth	AAHS	23.50	21.50	22.75	-1.00	-4.21	25.38	12.75	1.10	1.19 s	NC	19.1	.00	.0
Bergen Bruns	BBCA	30.00	28.88	29.38	-.63	-2.08	37.25	24.50	1.82	.20 s	12.4	16.2	.32	1.1
Bindley Wstn	BIND	12.38	12.00	12.13	.50	4.30	14.50	7.75	.79	.10 q	13.2	14.1	.00	.0
Cardinal Distrb	CDIC	24.50	23.25	24.00	.50	2.13	25.25	14.22	1.36	.44 f	47.8	17.6	.08	.3
Durr Fillauer	DUFM	16.63	14.50	15.88	1.25	8.55	16.63	9.25	.78	.01 q	1.3	19.8	.16	1.0
Ketchum	KCH	20.50	18.63	18.63	-1.25	-6.29	23.25	14.75	.56	-.01 n	-2.2	42.3	.00	.0
McKesson Cp	MCK	63.38	57.00	63.13	5.13	8.84	63.38	44.88	3.96	.36 f	10.0	15.9	2.40	3.8
Moore Med	MMD	21.63	21.25	21.25	-.38	-1.73	24.25	15.75	1.45	.29 q	25.7	15.0	.00	.0
Owens & Minor	OBOD	19.75	18.38	19.25	1.25	6.94	20.25	13.38	1.14	.10 q	9.7	17.0	.28	1.5
Manufacturer's transactions														
Abbott Labs	ABT	47.50	44.50	45.75	.75	1.67	47.50	26.44	1.94	.30 q	17.3	22.5	1.68	3.7
Am Home Prod	AHP	88.13	84.25	84.50	-.63	-.73	88.38	54.75	4.70	.36 q	8.1	17.5	3.10	3.7
Baxter Travenol	BAX	21.25	19.63	20.25	-.13	-.61	21.25	12.38	.85	.48 q	200.0	28.1	.40	2.0
Block Drugs Co	BLOCA	26.00	25.00	25.00	.25	1.01	26.25	17.00	1.84	.14 f	8.2	13.6	.50	2.0
Bolar Pharm	BLR	28.00	23.75	27.88	4.00	16.75	28.00	12.00	.71	.17 q	26.2	34.0	.05	.2
Bristol-Myers	BMY	81.50	78.00	79.13	.38	.48	81.88	53.63	3.86	.42 q	11.8	19.9	2.20	2.8
Carter-Wallace	CAR	65.75	62.88	64.75	1.75	2.78	66.25	32.38	3.63	.97 f	36.5	17.8	.60	.9
Forest Labs	FRX	18.00	16.88	18.00	.63	3.60	19.69	10.56	.98	.61 f	164.9	18.4	.00	.0
ICN Pharm	ICN	13.63	11.00	13.50	1.50	12.50	15.63	8.50	-2.10	-2.11 q	-100.0	NE	.00	.0
Key Pharm	KPH	20.38	18.75	20.13	1.50	8.05	20.38	7.13	-.02	-.57 q	-93.4	NM	.00	.0
Lilly Eli Co	LLY	77.75	70.75	73.75	3.63	5.17	77.75	40.50	3.69	.27 q	7.7	19.5	1.80	2.4
Lee Pharm	LPH	31.38	21.50	27.50	-4.13	-13.04	32.75	4.63	.40	.27 s	87.1	47.4	.00	.0
Leiner P Nutri	PLIN	14.25	13.00	14.25	.00	.00	15.00	8.25	.81	.03 f	3.8	17.6	.00	.0
Marion Labs	MKC	37.00	34.50	36.50	1.63	4.66	37.00	15.63	.47	.22 n	51.2	56.2	.40	1.1
Merck & Co	MRK	100.25	94.00	96.63	2.50	2.66	100.25	51.75	3.79	.57 q	16.6	24.2	1.80	1.9
Morton Thiokol	MTI	39.63	34.75	38.13	3.25	9.32	40.50	30.00	2.50	-2.66 n	-67.9	30.3	.70	1.8
Mylan Labs	MYL	25.63	23.13	23.38	-1.88	-7.43	27.13	13.50	.86	.34 f	65.4	27.2	.10	.4
Newport Pharm	NWPH	7.63	7.00	7.13	.13	1.79	14.50	6.25	.05	-.08 n	-100.0	NE	.80	11.2
Par Pharm	PARP	16.50	15.25	16.25	.00	.00	23.25	14.25	.47	.08 s	16.0	28.0	.00	.0
Pfizer Inc	PFE	63.75	60.63	61.13	.13	.20	64.88	43.75	3.44	.35 q	10.9	17.2	1.64	2.7
Robins, AH	QRAH	13.13	12.00	12.50	.63	5.26	19.25	5.50	2.53	20.78 q	NE	4.8	.00	.0
Rorer Group	ROR	42.00	39.50	39.88	.38	.95	47.00	32.50	1.72	-.21 q	-10.1	21.3	1.12	2.8
Scherer RP Co	SCHC	15.38	14.13	14.38	.63	4.55	16.50	10.75	-1.23	-.80 f	NE	NE	.32	2.2
Scher Plough	SGP	77.75	71.88	77.50	6.25	8.77	77.75	44.00	3.77	.43 q	12.2	19.6	1.80	2.3
Squibb Corp	SQB	101.25	95.75	96.88	.50	.52	106.00	59.13	4.20	.64 q	17.0	22.0	2.00	2.1
Sterling Drug	STY	46.25	42.50	43.38	-1.63	-3.61	47.13	29.50	1.83	-.51 q	-21.2	22.8	1.32	3.0
Syntex Corp	SYN	65.38	62.25	64.00	1.38	2.20	65.38	28.88	4.65	3.31 n	160.7	11.9	1.20	1.9
Thompson Med	TM	18.13	16.75	17.75	-.25	-1.39	21.00	11.75	1.18	-.75 q	-39.5	15.4	.40	2.3
Upjohn Co	UPJ	99.75	94.00	96.88	2.88	3.06	99.75	50.38	3.29	.85 q	32.6	28.0	1.52	1.6
Warner-Lambrt	WLA	60.75	56.75	57.25	-.13	-.22	60.75	33.75	-4.05	-6.83 q	-100.0	NE	1.56	2.7
Zenith Labs	ZEN	33.63	30.38	31.75	.00	.00	36.63	17.38	1.46	1.04 q	216.7	20.9	.00	.0

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.

q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISING TRENDS

Retailers strive to perk up '86 cosmetics sales

Retailers dub 1985 year of 'stabilizing'

By Liz Parks

With a few bright exceptions in the nail, lip and eye segments, the color cosmetic category in drug stores was relatively flat overall in 1985, lacking what retailers call "strong new major fashion introductions" to drive it.

Some new lines, bright colors and shades, and repackaged, repositioned, reformulated or repriced lines did well in 1985 and early 1986, according to drug store retailers. But there was nothing as dramatic as the mousse category introduction of a few years ago to make the department take off.

Retailers say they saw an even more lackluster performance in fragrances.

"Lip and nails were hot in 1985," said Steve Peck, vp and merchandise manager of cosmetics for People's Drug.

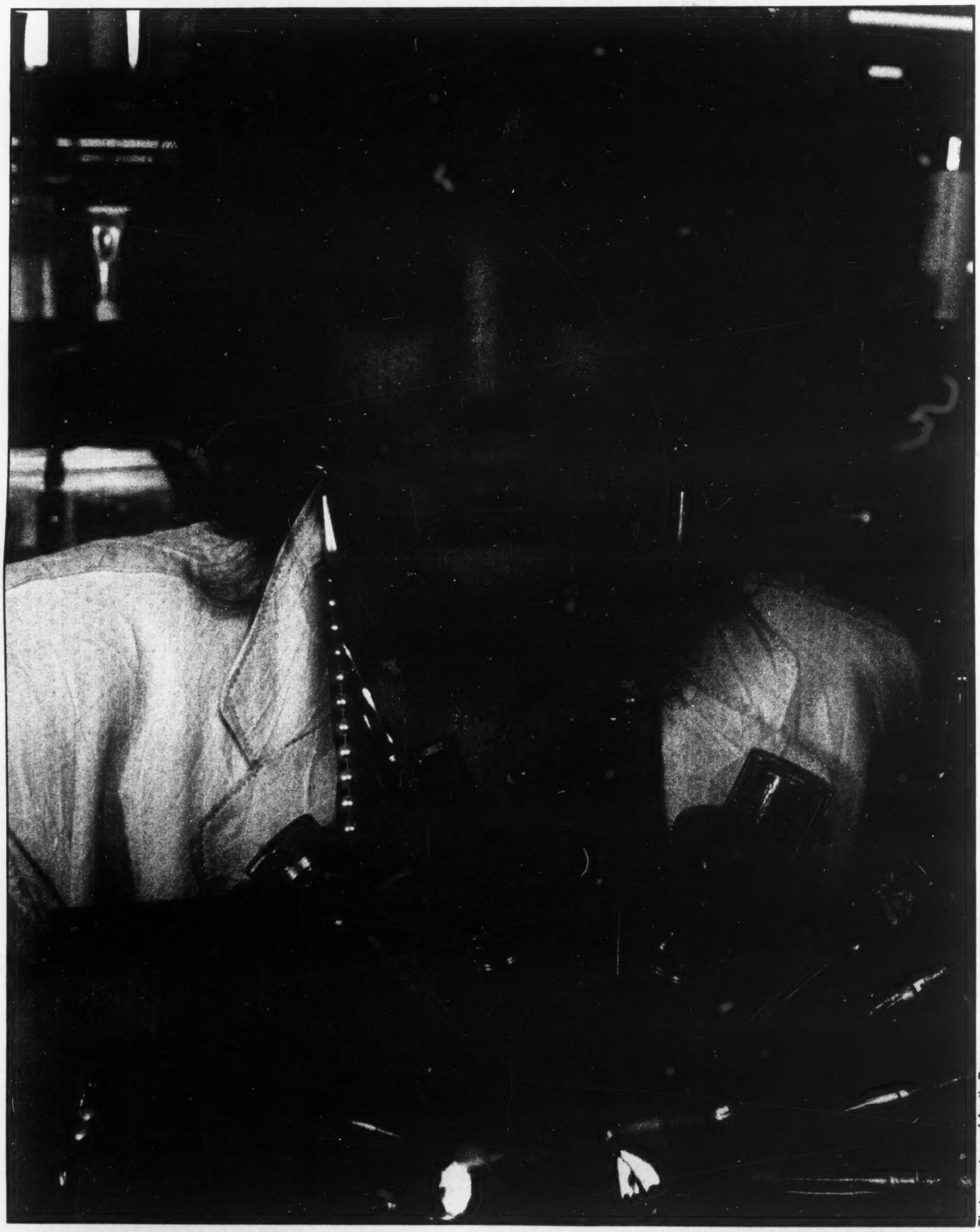


Photo courtesy of Austin Drug

Share of sales by cosmetic segments in retail drug stores

	1985 (millions)	% change
Eye care	$228.4	(3%)
Lip care	197.0	2
Nail care	152.7	17
Face makeup	258.4	8
Total color cosmetics*	836.5	5

*Does not include sales of moisturizers or skin treatment products
Source: A. C. Nielsen

"However, taking into account inflation, the category itself was relatively flat, and so was the fragrance category."

No blockbusters

"At Drug Emporium," said executive vp Gary Wilber, "we're not aware of anything new that blew the doors down. People seem to be repackaging and reflecting back what L'Oreal and Revlon have done. Some of the new repackagings have been very exciting, and I think we'll see more of that, but there's nothing new that I can say has really energized the category so far this past year."

Most retailers say their sales in cosmetics are up an average of 4%-5%, with some notable exceptions like Drug Emporium, F & M and Rite Aid reporting increases averaging 15%, 20% and better.

According to A. C. Nielsen, total sales of color cosmetics (excluding skin care and skin treatment products) in drug stores increased 5% in 1985 to $836.5 million.

Sales of fragrances in drug stores were up about 3% to $836.8 million, but in both instances, Nielsen estimates that inflation accounted for most of the growth.

Many retailers described 1985 as a year of "stabilizing" or "revitalization," as manufacturers began to take a new look at themselves and their brands and to make changes designed to maximize their establishment image and their potential for growth.

Profusion of new products

Some buyers even called the year "frenetic": New packs and new products seemed to come out every day, causing buyers and merchandisers to scramble to review planograms, ad programs and decisions on prepacks and in-store displays.

One buyer for a Southern chain complained that in the past year, there was too much "confusion" and "no originality"—manufacturers scrambled to copy every successful new product that reached the retail shelf.

"There's confusion in ordering," she said, "because everything looks alike. There are also too many one-time-only shades, and too often manufacturers are mixing permanent items in with orders for prepacks for new or promotional items, so it's hard to always know what you're ordering."

Added Stephanie Hayter, cosmetic buyer for Genovese Drug, "it seems like every week we're revising our planogram for something. There are a lot of new products coming out, but

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MERCHANDISING TRENDS

Cosmetics: Category in motion

Buyers view exciting cosmetics products

Continued from page 15

they're coming out faster than we can get them in our stores."

Hottest category: Nails

For most retailers, nail care was the hottest category in 1985 and early 1986. Eye, lip and facial had some winners, but nothing matched the growth in nail care sales.

1985 Share of sales for eye care cosmetics

Source: A. C.Nielsen

Every buyer interviewed by *Drug Store News* agreed that Lee's new colored press-on nails was the "hottest thing" happening in cosmetics at the moment, while buyers also said that "everything in nails and manicure is selling well," from the glue-ons to the press-ons and even including the buffers and other accessories.

Other brands seen as strong by buyers and marketing executives were: Max Factor and Revlon, both of whom have new repackaged lines of nail enamels and polishes: Jonee with their broad line of nail accessories; Ardell with colored nails; and Aziza with one-coat nail enamel.

> Some retailers . . . were reporting success with the new multicolored pencil eye shadow lines first introduced to the market by Aziza as a promotional item.

"At F & M," said cosmetics buyer Nancy Stone, "our overall cosmetic and fragrance sales are up in double digit numbers, but the nail care category is growing at about double that rate."

Eye shadow innovations

Some retailers like Eleanor Marshall, cosmetics buyer for Perry Drug in Pontiac, Mich., and F & M's Nancy Stone were also reporting success with the new multicolored pencil eye shadow lines first introduced to the market by Aziza as a promotional item.

Marshall said Perry couldn't keep Aziza's Cosmos shaded pencils in stock, and the same thing was happening with L'Oreal's Kaleidoscope pencils.

"These are what I'd call innovative products," Marshall said. "We're not even advertising them, and they're flying off the shelf."

"Revlon's Custom Eyes are still doing well," said Stone, "and so is Cover Girl's new single pan shadow."

In eye wear, Stone said, purple and blue mascara were faring well, especially Cleopatra's bright mascaras and the many promotional bright mascaras that are now out.

"Everybody's making them right now," she said, "and they fit in with the trend that also sees the bright nail colors and the bright lip glosses selling well."

Eckerd's new cosmetics design, featuring a warm and open look, is geared to the needs of the busy woman shopper.

Face makeups

In face makeup, Maybelline, Cover Girl, Revlon and Almay were consistently cited as good sellers. L'Oreal's Visuelle was having success with most retailers, and several said they saw a trend to increasing sales of loose face powder to women "to finish off their look."

Also selling well was Cover Girl's new replenishment makeup, which buyers said filled a need for women who wanted some moisturizer in their makeup but not as heavy an application as traditional moisturizing makeups.

In lip makeup, bright colors like yellow and blue were among the leaders, especially, according to some buyers, L'Oreal's promotional lip glosses.

Drug stores remain dominant

Although drug stores still hold the dominant share of all mass market color cosmetic sales, mass merchandise stores and food stores have been gaining share at a brisker pace in the last few years, with the strongest gains coming from mass merchandise outlets.

According to A. C. Nielsen, drug stores in 1985 had a 59.1% share of mass market color cosmetic sales, down from 64.9% in 1982.

Mass merchandise stores, on the other hand, had a 24.4% share in 1985 compared to just a 19.9% share in 1982. Food stores had a 16.5% share in 1985,15.2% in 1982.

In 1985, sales of color cosmetics in mass merchandisers were up 10% to $345.4 million while sales in drug stores were only up 5% to $836.5 million.

Nielsen said food stores also did slightly better than drug stores in 1985, increasing cosmetic sales 6% to $233.5 million.

Men's fragrances

Food stores, according to Nielsen, did an even better job building sales in men's fragrances. The food store's segment of sales in men's fragrances went up 8% in 1985 to $81.7 million compared to just a 4% increase for drug stores to $271.9 million.

Mass merchandisers managed a 3% increase in men's fragrance sales to $117.5 million

Women's fragrances

In women's fragrances, drug store sales were virtually flat, said Nielsen, growing at a 1% rate to $564.9 million. Mass merchandise stores did better, increasing sales 5% to $204.3 million.

Food stores, Nielsen said, only carry a minimal selection of women's fragrances, so their sales in this category are negligible.

Drug stores, however, continue to have the dominant share of both cosmetics and fragrance sales among the three major mass market retail outlets.

According to Nielsen, drug stores in 1985 had a 59.1% share of color cosmetic sales compared to a 16.5% share for food stores and a 24.4% share for mass merchandise stores.

In men's fragrances, drug stores in 1985 had a 57.7% share of total sales compared to a 17.4% share for food stores and a 24.9% share for mass merchandisers.

In women's fragrances, drug stores held a commanding 73.4% share compared to a 26.6% share for mass merchandisers.

Color cosmetic dollar sales: breakout of share trends*
(Drug stores vs. food and mass merchandise stores)

Year	Drug	Food	Mass merchandise stores
1985	59.1%	16.5%	24.4%
1984	59.9	16.6	23.5
1983	62.0	16.2	21.8
1982	64.9	15.2	19.9

*Does not include sales of moisturizers or other skin treatment products.

Source: A. C. Nielsen

Growth in color cosmetic dollar sales*
(Drug store vs. food and mass merchandise stores)

Year	% chng 3 outlets combined	% chng drug stores	% chng food stores	% chng mass merchandise stores
1985	6%	5%	6%	10%
1984	13	9	16	21
1983	9	4	17	20
1982	10	7	15	17
1981	14	10	34	15
1980	18	16	32	16

*Does not include sales of moisturizers or other skin treatment products

Source: A. C. Nielsen

1985 Share of sales for makeup cosmetics

Source: A. C. Nielsen

Fragrances sell well

In fragrances, knockoff lines or smell-alikes continued to be popular in 1985. Buyers say the strength of the better-selling knockoffs like Parfum de Coeur's Primo or Lenox's line of Great Pretenders was in their "perceived quality" and in their price points. "Consumers are definitely responding to knockoffs," said Hook Drug's vp-merchandising Marc Varnau, "and I think we'll continue to see that."

Most retailers said designer fragrances like Obsession and Opium were also moving "whenever we could

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MERCHANDISING TRENDS

Cosmetics: Category in motion

Retailers keep seeking best look for cosmetics

Drug store retailers continued in 1985 to upgrade their cosmetic departments—trying to find the "optimum" space allocations, graphic look, and merchandise mix.

Many companies introduced department store-type fixtures and graphics into their stores, went out of their way to increase facings for franchised lines, and added prestige fragrances, whenever possible, to their product mix.

New fixtures at Genovese

Genovese buyer Stephanie Hayter is giving L'Oreal, Cover Girl, Almay and Del Lab's Sally Hanson more space. The Elizabeth Arden line has been added to some stores, as have bullpen fragrance departments.

The chain is installing new fixtures with "pink with gold trim" in all new and remodeled stores, with hopes of having them chainwide over the course of the next year.

Cosmetics, which two years ago only accounted for 8.7% of total store sales, are now up to 9.5%, and Genovese is aiming for a maximum 10% in the next year or so.

Like most retailers interviewed by *Drug Store News* for this section, Genovese is also doing more cosmetic and fragrance advertising in a push to build up this key department's visibility and convince the traditional department store shopper to come to Genovese for quality cosmetics and fragrances at better prices.

Drug Emporium cosmetics gain

At Drug Emporium, sources say cosmetic sales have been growing dramatically in the last couple of years. Sales have consistently been up, said one source, registering increases of 20% and more for several years.

According to vp Frank Shanower, Drug Emporium has gotten away from vendor fixtures and opted for a more consistent, total-store look.

Executive vp Gary Wilber said the chain tries to give at least 100 running feet of wall space to cosmetics, and, whenever possible, to install a bullpen with about 16 ft. allocated for prestige fragrances plus another 28 ft. for popularly priced fragrances.

> 'Drug Emporium has gotten away from vendor fixtures and opted for a more consistent look.'

Out of Drug Emporium's average 18,000 sq. ft. of selling space, cosmetics/fragrances overall get about 3,500 sq. ft.

Wilber said that today, cosmetics account for about 15% of all Drug Emporium's sales, with some older stores in good demographic markets doing as much as $150,000 a year in cosmetic sales. He said stores generally turn their inventory every 8 to 10 weeks and that, down the line, Drug Emporium can probably increase cosmetic sales to about 25% of total store volume.

Hook: Customizing cosmetics

At Hook Drug, management is customizing its stores, putting in prestige items in neighborhoods where merchandising thinks there may be a demand for those brands and putting in the trendy items with youth appeal in neighborhoods where that approach seems appropriate.

Hook, said vp-merchandising Mark Varnau, is giving more space to Cover Girl, Maybelline and L'Oreal, and is thinking of expanding Revlon's allocation for Natural Wonder, depending on how well the newly repackaged line sells this summer.

Hook, too, is trying to convince the department store shopper to spend some time checking out the cosmetic specials in drug stores. For the first time in their history, they published a six-page tabloid in late April of this year promoting their Beauty Festival.

Sales results were not in at press-time, but Varnau said the ad had the same "fluffy, feminine" look as department store ads and was designed to show customers that "we are seriously in the beauty business."

Rite Aid sees growth potential

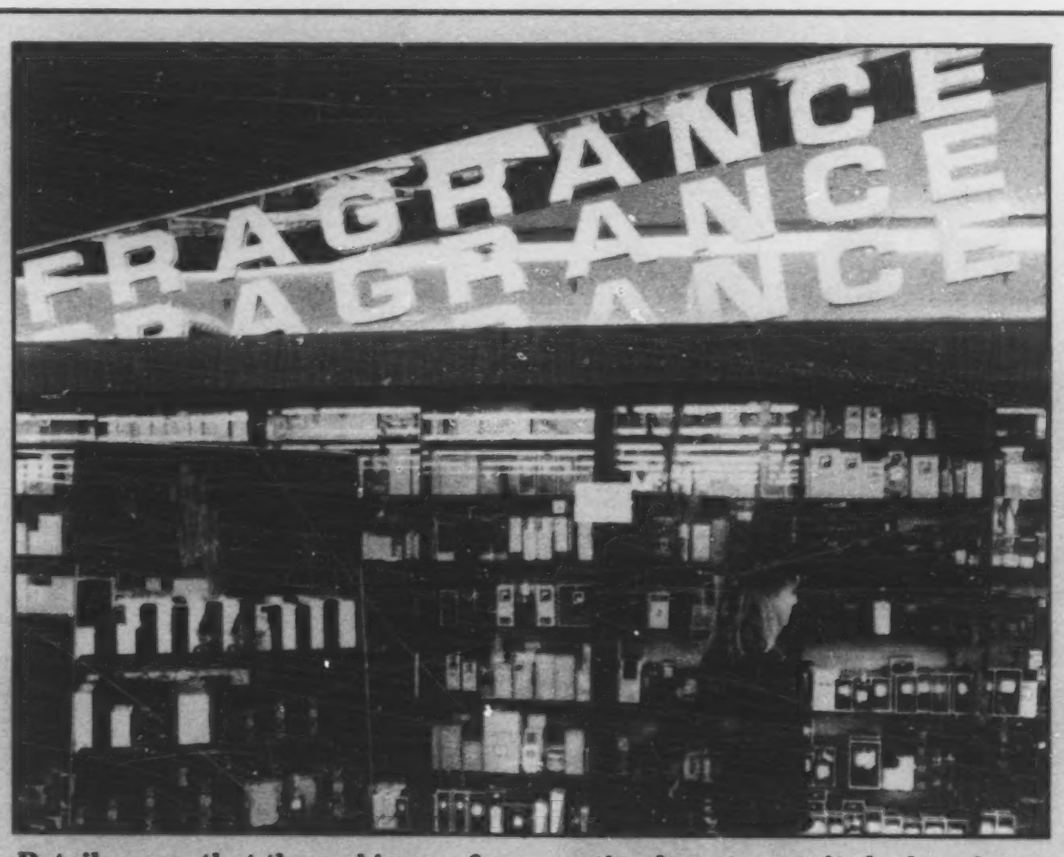
At Rite Aid, vp-purchasing Howard Diener said stores have been registering sales increases in cosmetics of about 15% to 20% a year. He said Rite Aid still sees a lot of growth potential in the category and believes that eventually stores will be able to do about 8% of all front-end sales in beauty products. Right now cosmetics account for about 5% of front-end sales within the chain.

Rite Aid is switching to the Noxell fixtures. About 900 stores have gotten the new look in the last four to five years, and the chain has about 500 more stores to go before the look is companywide.

Last year, Rite Aid began putting in fragrance islands (glass and chrome units) that are now going into all new and remodeled stores. Currently, Rite Aid is giving each store about 45 ft. for cosmetics, plus another 8 ft. for fragrances. "We've been increasing space for the last three years, and we will probably continue to increase until we feel we've maximized our space to sales allocations."

Continued on page 20

Deep discount drug stores like Drug Emporium, above, and F & M, below, attract shoppers by really "packing out" the merchandise. The more product a display or fixture can hold, the better for these chains.



Retailers say that the ambience of a cosmetics department, its look and even smell are crucial for building traffic and sales.

Growth in women's fragrance sales

	1985 Dollar sales (millions)	% change from last year	Share of total sales (%)
Drug stores	$564.9	1%	73.4%
Mass merchandise stores	204.3	5	26.6
Total: Mass merchandise outlets	769.2	2	100.0

Source: A. C. Nielsen

Drug store share of color cosmetic dollar sales*

(in millions)

	1985 sales	% change from last year	Share of sales %
Drug stores	$ 836.5	5%	59.1%
Food stores	233.5	6	16.5
Mass merchandise stores	345.4	10	24.4
Total three outlets	1,415.4	6	100.0

*Does not include sales of moisturizers or other skin treatment products
Source: A. C. Nielsen

Growth in men's fragrance sales

	1985 Dollar sales (millions)	% change from last year	Share of total sales (%)
Drug	$271.9	4%	57.7%
Food	81.7	8	17.4
Mass merchandise	117.5	3	24.9
Total	471.1	4	100.0

Source: A. C. Nielsen

Hook's

Genovese

Chains choosy on fixtures

Continued from page 18

Diener said in this last year, Rite Aid added Almay to its mix, as well as increasing space for Maybelline and Cover Girl. He added that L'Oreal probably would have gotten more space except they do such a good job with their display units that they are the most efficient line in the category.

"They keep their sku's in such a tight area," he said, "that they give us one of the best returns per square foot in the store."

SupeRx promoting from within

At SupeRx, merchandise manager Dave Wesloh said the chain has been eliminating "cardboard clutter" by concentrating in the last few months on doing more promotions from within "our basic lines."

SupeRx has also been working with manufacturers like Revlon and L'Oreal to develop fixtures that are both space efficient and informational.

"We have self-service stores in which we try to assist sales whenever possible," he said, "but our strong need is for fixtures that almost sell the products by themselves.

"We need fixtures and packages that are so organized that customers can easily see that if they have dry skin, they should buy this brand or this line, or that if they want this color on their skin, hair, lips or nails, they should buy this brand."

SupeRx, said Wesloh, will be installing some of Revlon's newest, "more flexible" fixtures over the next 60 to 90 days. They will continue to work with all manufacturers to come up with the upscale look that Wesloh thinks drug stores must have to capture more of the shoppers now buying their cosmetics in department stores.

F & M considering new fixtures

F & M is planning to use new fixtures in all future stores. Merchandising vp Mike Micallef said management is considering Revlon's new "flexible" black and gold fixtures, first introduced to retailers at the NACDS annual show in Hawaii in May, as well as Noxell's latest fixtures.

F & M is continuing to sell designer fragrances like Opium and Halston at discounted prices.

"Cosmetics, like health & beauty aids," said Micallef, "are an integral part of our stores. Ambience and assortment as well as price are important to our customers.

Retailers say that consumer research tells them that customers like being able to test cosmetics before buying. They also like displays that highlight "what's new."

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MERCHANDISING TRENDS

Cosmetics: Category in motion

Demographics fuel success of nail category

Continued from page 16

get them." Most retailers added, however, that they were being extra careful buying diverted fragrances, apparently afraid of counterfeit or possibly stolen goods. Several made the point that they would "pass up" a possibly legitimate sale of a diverted product if the seller "didn't have all the documentation we needed to be satisfied."

Picks for fall

For the latter part of 1986 and the key back-to-school through Christmas/New Year's selling season, buyers picked Noxell's new brand of complete color cosmetics, Clarion, and the new Zazu line of "hair cosmetics" from L'Oreal, both scheduled for introduction in the fall, as potential best sellers. *(See Beauty Beat page 30.)*

The Clarion line, backed by Noxell's advertising dollars and reputation for quality and service, will be "fantastic" when it comes out, retailers predicted, doing for cosmetics what mousse did for its category.

Fashion trends

Most buyers thought they could see a link between certain successful products and the needs and desires of today's fashion-conscious cosmetics shopper.

In nail care, buyers like Drug Emporium's Kathy Covault, F & M's Stone, and Perry's Eleanor Marshall thought the working woman and the maturing teenager were fueling this category.

"Working women and the teenagers growing up and trading up," said Covault, "want nice looking nails at an affordable price." She added that the press-on nails are succeeding because they are "innovations," giving women the flexibility and ease of changing their nail look at will.

Salon-quality products

Covault predicted that drug stores would do well with a new segment coming into the marketplace: salon-quality nail care products.

She cited Orly, a line made by Orly Inc. in Chattsworth, Calif., and being test-marketed in some Drug Emporium stores, as "doing very well." She saw similar potential for the Nailene line soon to be introduced by Pacific World, based in Huntington Beach, Calif.

"To get a salon treatment now, women have to pay $50 to $60 a shot for the first nail treatment," she said. "These new lines will let women get the same treatment for about $10- $15."

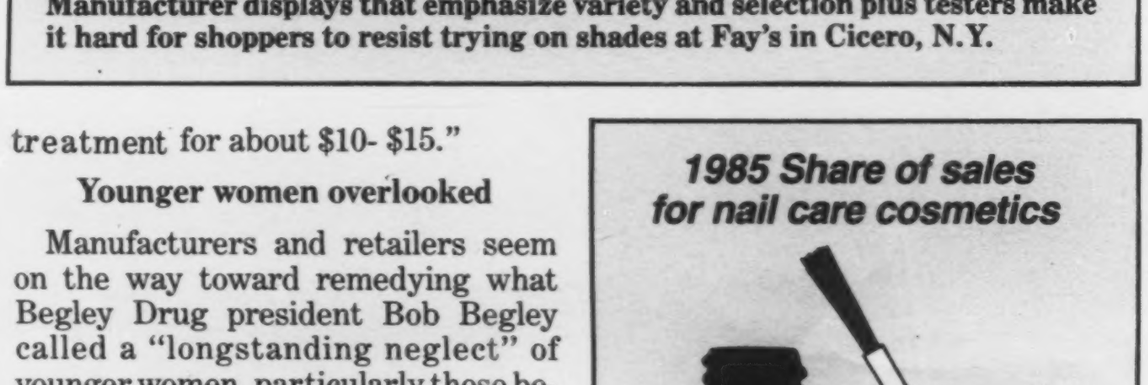
Younger women overlooked

Manufacturers and retailers seem on the way toward remedying what Begley Drug president Bob Begley called a "longstanding neglect" of younger women, particularly those between 15 and 24 years old.

Several retailers detect a growing awareness of this group's importance and a desire to introduce new products and merchandising strategies that would motivate these customers to buy more impulsively.

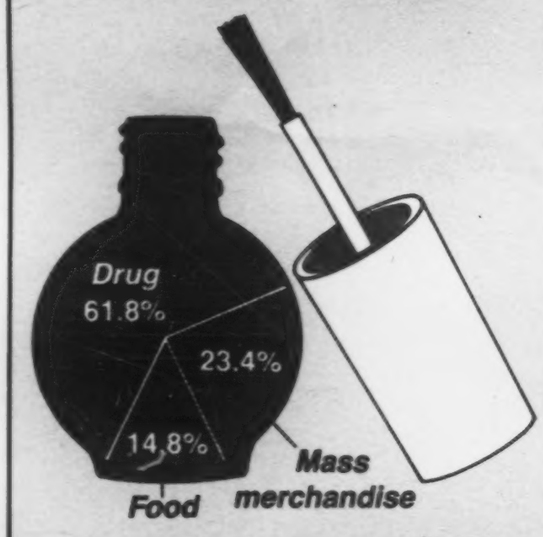
For instance, Begley Drug management has picked up on the idea—originated by a Begley cosmetician about two years ago—of using local teen-

Continued on page 34



Manufacturer displays that emphasize variety and selection plus testers make it hard for shoppers to resist trying on shades at Fay's in Cicero, N.Y.

Source: A. C. Nielsen



Source: A. C. Nielsen

Gold Link winners: Cosmetic ads

The mission: Get the customers into the store.
The medium: newspaper ads stressing special sales on cosmetic and fragrance.
The competition: 477 chain drug store companies competing for the 14th annual Gold Link Advertising awards co-sponsored by NACDS and *Woman's Day* magazine.
The winners: Genovese Drug for the fashionable department store look of its 1985 Valentine's Day ad (near left), Douglas Drug for its sweetheart theme for Valentine's Day (below), and Drug Fair Northwest for its full-page ad stressing savings and selections.

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MERCHANDISING TRENDS

Cosmetics: Category in motion

Product success seen linked to lifestyle needs

Continued from page 32

agers as beauty advisers. Begley is considering using the teenage board to help make corporate decisions on what to buy, what to promote, and what type of display space to allocate to which lines.

And Drug Emporium's Gary Wilber said, "If anything, we're getting younger people shopping the color cosmetics category. In fragrances, maybe you're seeing the shopper getting a little older.

Younger shoppers

"But one of the reasons why L'Oreal is so hot, in addition to their prices, is that a lot of their appeal is to the person in their 20's, and that's a big demographic. That's a nice market to appeal to."

Other retailers are delighted to see Revlon give new support and attention to its repackaged Natural Wonder line, which is aimed at younger and perhaps more budget-conscious shoppers.

Howard Diener, vp-purchasing for Rite Aid, said Natural Wonder's new packaging reflects a better direction for the line and company. And Marc Varnau, vp-merchandising for Hook Drug, calls the packaging "very hip."

L'Oreal's Zazu is designed specifically to appeal to younger women, who neither want nor need permanent color changes — one reason some retailers are betting on it.

F & M's Nancy Stone pointed out that with bright colors for lips, nails and eyes selling so well today, bright temporary colors for the hair should be a "natural" winner.

Some retailers are doing more color cosmetic advertising and slightly less fragrance advertising, both to build up the image of their cosmetic departments and to attract more of the younger shoppers who buy impulsively.

Dave Wesloh, merchandise manager for SupeRx, said sales in the cosmetics section have been "strengthening" as SupeRx shifted more space to the color cosmetic lines, and that the chain was getting more "multiple purchases."

"Usually an ad for a fragrance will result in one sale," he said, "but if you advertise a nail enamel, you're very likely to pick up a related sale of a lipstick, and we find that's been happening for us."

Wesloh also said SupeRx will be continuing to test a variety of strategies in late 1986 and early 1987 designed to "upgrade the store's image."

"Most drug stores," he said, "can't afford to have full-time service people in the cosmetics section. To compete with the department stores, though, drug stores have to create departments that are bright, attractive and that almost sell the products by themselves.

"We're working very closely now with manufacturers like Revlon, L'Oreal and Max Factor to come up with fixtures that are both attractive and informational," he added "and although I can't say we have the perfect system yet, we're closer to it than ever before and that's where I think you'll see much of the action happening in the rest of this year and next year."

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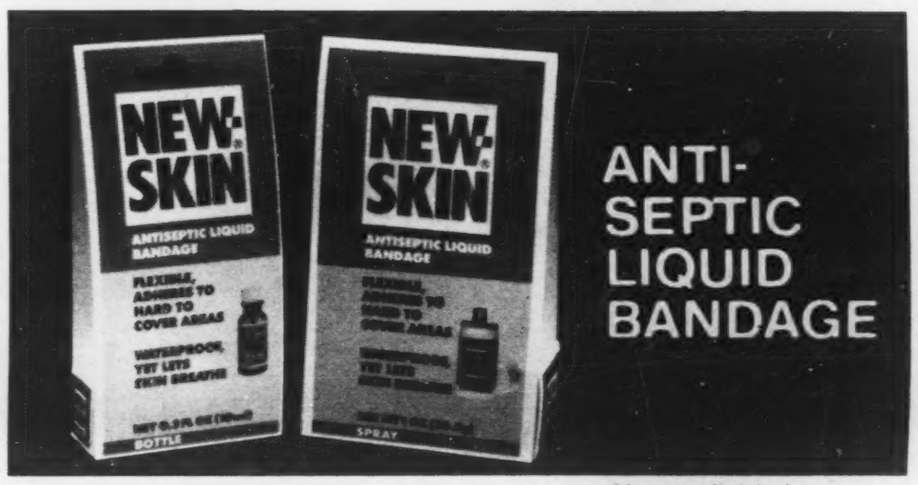

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Merchandising Trends:
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Inside Pharmacy:
N.Y. pharmacists oppose script plan—p. 23

DRUG STORE NEWS®

Vol. 8/No. 15 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. July 7, 1986

Dart Group eyes Safeway as buyout catch

Analysts speculate on Haft strategy

By Dave Vaczek

OAKLAND, Calif. — The Dart Group has tagged another reluctant giant.

With the announcement that it has purchased a 5.9% share in Safeway Stores Inc. and is mulling a buyout bid, Dart once again positioned itself to make a handsome profit by declaring an interest in a hostile takeover.

The audacity of the Landover, Md.-based retailer's proposal to take the helm of the country's largest food store chain heightened speculation about the business strategy of the Haft family, Dart Group's owners.

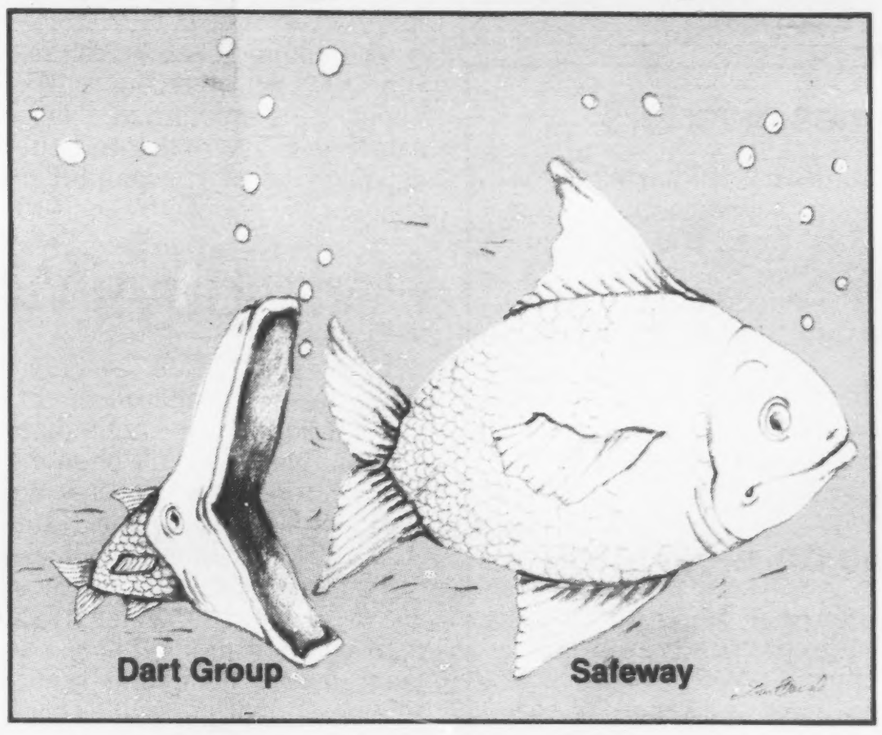
Dart has said it wants a new retail anchor to complement its current businesses: Crown Books, the national discount book store chain; Trak Auto auto parts; and its real estate holdings.

5 runs, 1 takeover

But analysts noted that Dart's hyperactive investment initiatives over the last year have resulted in runs on five companies, with a single takeover.

Instead, the former owner of the Dart Drug chain has gar-

See ***Dart,*** *page 30*



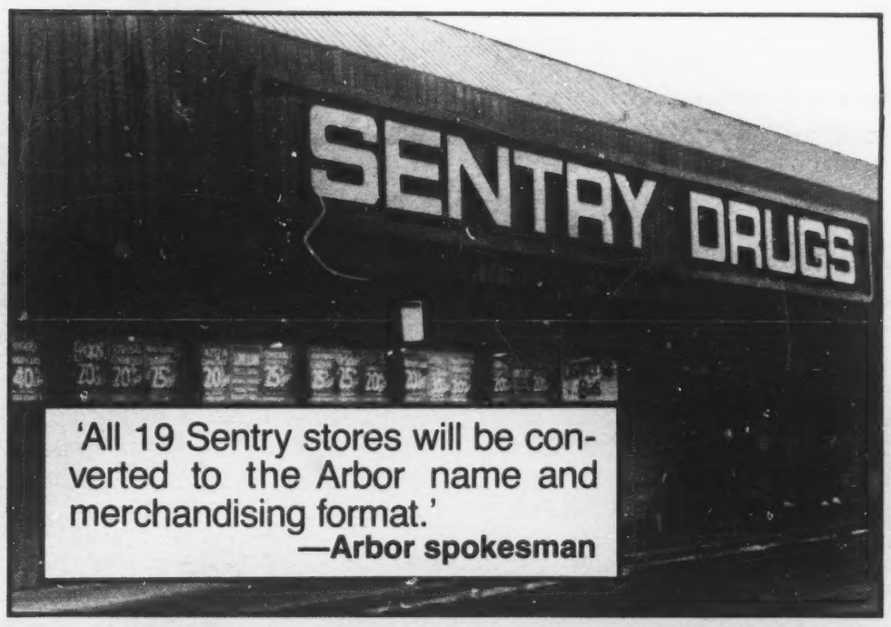
Safeway reacts

Safeway clearly signalled its displeasure with the Hafts' plans.

Already bristling with an arsenal of bylaws intended to thwart a hostile change, the company retaliated with a lawsuit charging Dart with failing to disclose that its real purpose is greenmail. and not an acquisition.

The complaint, filed in U.S. District Court in San Francisco, further claimed that the raider had illegally engaged in insider trading, a charge that analysts said should be a serious concern in the current climate on Wall Street of scruti-

See ***Safeway,*** *page 30*



Sentry buyout caps Arbor growth drive

By Al Heller

TROY, Mich. — Arbor Drugs plans to make a competitor vanish from its southeastern Michigan home turf by buying it.

Arbor's pact to acquire 19-store Sentry Drug Stores for $14 million to $14.75 million, depending on inventory, comes just two months after a public stock offering that brought Arbor approximately that same amount of cash to fund expansion in this state and the Carolinas.

It also follows a sizzling 35-month period in which Arbor opened 21 stores and raised its total at presstime to 51.

However, the all-cash acquisition, due to be concluded by mid-October, won't affect plans outlined in Arbor's stock prospectus to add 8 to 10 new drug stores within existing territories from Detroit to Flint and Ann Arbor, a company spokesman said.

See ***Arbor,*** *page 30*

'But not this year,' says Skaggs

American to re-enter Fla. market

PARK CITY, Utah —American Stores will return to the Florida market—but not this year, chairman L. S. (Sam) Skaggs, told *Drug Store News* after the annual shareholders' meeting.

Skaggs would not say if the stores will be freestanding Osco drug stores or Skaggs-Alpha Beta food/drug combos, but combos dominate parts of the Sunshine State, and that's what industry observers are betting on.

They're also betting that Skaggs will seek a tit-for-tat tilt with Albertson's, which marched into Dallas a year-and-a-half ago to compete against its former partner.

Together in the 1970's, the retailers had scored strongly by launching Skaggs-Albertson's combos in the Southwest and Southeast.

When the partnership dissolved, the stores were divided: Albertson's took over the Florida combos, and Skaggs got Texas.

Meeting highlights

In other highlights of the meeting last month:

- Sav-On, the last of American's drug divisions to convert to Osco in American's quest for a national drug chain, will be renamed Sav-On-Osco later this year.

American is keeping the Sav-On nameplate, for its "excellent consumer recognition," said Skaggs. Sav-On has been a major factor in southern California drug retailing for four decades.

American does not plan to open downsized stores similar to Pay Less' Key Drug and Thrifty's Jrs., a top-ranking American exec told *Drug Store News*. "We now open Oscos as small as 20,000 sq. ft., and this enables us to operate in cities which cannot support superdrug stores."

- The stockholders approved a proposal to increase the number of authorized shares of common stock from 50 million to 100 million shares.

In its proxy statement, the Board of Directors said the additional shares would be available for "proper corporate purposes." However, the investment community sees the move as a defensive response to unsolicited takeover bids. The board also noted that "it was not aware of any effort to obtain control of the company."

- American will open the first of the 38 new stores planned for this fiscal year in Great Falls, Mont., this summer. It will be a 69,000-sq.-ft. Buttrey food/drug combo. A second 69,000-sq.-ft. Great Falls combo will open later this year. Skaggs combos now range from 65,000 to 69,000 sq. ft.

See ***American,*** *page 30*

Teens give timely

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Bolger extends NACDS term

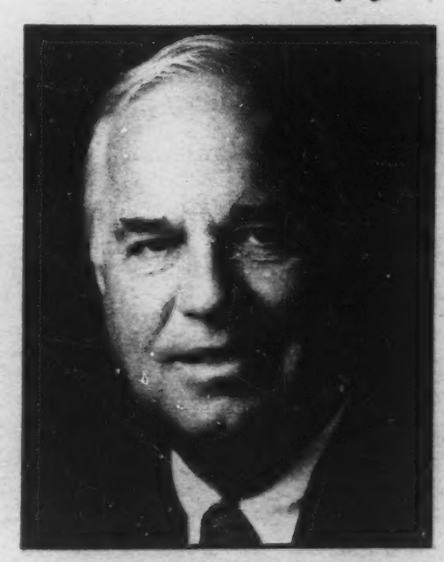
ALEXANDRIA, Va. — NACDS president Robert J. Bolger has agreed to stay in his post until 1989, delaying his planned retirement for more than a year.

His decision to stay will make a "smooth transition" easier, as NACDS periodically reviews candidates. "We hadn't yet hired a search firm, when Bob said he'd stay," an NACDS spokesman said.

"Our industry will be fortunate to have Bob leading the Association for several more years," said NACDS and Rite Aid chairman Alex Grass.

Bolger, considered a popular figure in the industry, will oversee expanded NACDS efforts such as merchandise shows and broader-based membership rolls including supermarkets.

NACDS represents more than 178 retail drug chains operating about 18,500 pharmacies nationwide.



Robert J. Bolger

Bristol-Myers replaces capsules with caplets

Capsule recall follows 2 poisonings in Wash.

NEW YORK — Bristol-Myers will relaunch its over-the-counter medications in caplet form, following the withdrawal from the market of all its nonprescription capsules.

The company said caplets of Datril, Bufferin, and Excedrin pain relievers and Comtrex, a cold remedy, should be on the market by the end of this month. Caplets are coated tablets designed to be easier to swallow than regular tablets.

The recall followed the deaths of two people who were poisoned by cyanide-laced Extra-Strength Excedrin capsules, made by Bristol-Myers. The victims were both residents of Auburn, Wash.

90% use tablets

Bristol-Myers said that "more than 90% of consumers" uses its over-the-counter medications in tablet form. However, the company said that it recognizes "that there is a continuing demand by a substantial number of people for capsules." The New York-based health care company added that "as capsule sealing technology continues to improve, we will re-evaluate our decision."

Last year, Bristol-Myers earned $4.4 million on revenues of $863.7 million.

Analysts said that the withdrawal of its nonprescription capsules will not significantly affect the company's earnings. Altogether, the products in all forms account for about $225 million in sales, according to David Saks, a drug analyst with Morgan, Olmstead, Kennedy & Gardner in New York.

The biggest sales generator, Excedrin, accounts for about $100 million in sales, said Saks. He estimated the capsule line of the painkiller chalked up about 10% or $10 million of total Excedrin sales.

Cost of recall estimated

At presstime, Bristol-Myers had not announced the total cost of the recall, but analysts estimated it would cost the company between $25 million and $50 million, far less than the estimated $150 million Johnson & Johnson spent to recall Tylenol and its other nonprescription medications in capsule form and to relaunch the products in caplet form.

$1 million reward offered

The Proprietary Association, a consortium of over-the-counter manufacturers, is now offering a total of $1 million in reward money for information leading to the arrest of those responsible for tampering deaths since 1982.

The deaths in Washington bring to six the number of people who have died after taking painkiller capsules laced with cyanide. The first incident occurred in February, when a Peekskill, N.Y., woman died after taking an Extra-Strength Tylenol capsule. Johnson & Johnson, makers of Tylenol, withdrew from the market all of its OTC products in capsule form after the incident and replaced capsules with caplets, coated tablets designed to be easier to swallow than regular tablets.

2 deaths called suicides

Two capsule-related deaths this year are believed to be suicides. One of those deaths, 24-year-old Kenneth Wayne Faries, had been ruled a homicide after cyanide was discovered in capsules of Anacin-3 at his Austin, Tex., apartment. But the FDA concluded that the poison came from a university laboratory to which the victim had access, and ruled the death a suicide.

Amid the continuing attacks on capsules, some companies are reportedly looking at ways to restrict sales of OTC capsules, such as by putting the capsules behind the prescription counters in drug stores. Companies are also continuing to research new ways to package capsules so that they are more "tamper-resistant." But industry spokesmen emphasized that no product can be made tamper-proof.

April survey

A survey conducted in April of corporate executive by Strategic Information Research Corp., a subsidiary of the public relations firm Hill and Knowlton, concluded that 85% of the 101 consumer product company executives interviewed believed packaging cannot be made completely tamper-proof. Only 56% of those interviewed said their companies have a crisis communications plan or are in process of designing one in case of a tampering incident.

NEWS IN BRIEF

Ohio Rx board fines diverters

COLUMBUS, Ohio — The Ohio Board of Pharmacy has concluded its first round of diversion hearings by handing down 31 fines and penalties to 13 pharmacies and 18 pharmacists.

The fines and penalties assessed individual drug stores ranged from $500 to $25,000 and from 24 months probation to revocation of store license.

The fines and penalties for pharmacists involved in the diversion web ranged from $500 to $25,000 and a 24-month probation to a 12-month suspension of the pharmacy license.

Walgreens puts name on Medi Marts

DEERFIELD, Ill. — Walgreens has begun to inventory the 66 Medi Mart sites it acquired recently from Stop & Shop for an estimated $75 million.

The nation's No. 1 drug chain plans to change all the storefront names to Walgreens by Oct. 1, a company spokesman said. The executive added that all the stores will be equipped with its INTERCOM pharmacy computer system, and will be remodeled, including repainting, new employee uniforms and some layout reconfigurations, by that date.

In a separate matter, Standard & Poor's raised its rating of Walgreens senior notes to A+ from A, and the preliminary rating on $200 million of debt securities filed under a Rule 415 shelf registration to A+ from A.

The rating on Walgreens commercial paper is maintained at A1.

NHMA reschedules show

CHICAGO — The National Housewares Manufacturers Association has rescheduled its show dates "to better conform to buying patterns" of retailers.

Shows at McCormick Place will be: Jan. 10-13, 1988; Jan. 8-11, 1989; Jan. 7-10, 1990; Jan. 6-9, 1991; Jan. 12-15, 1992.

The two upcoming show dates remain the same, however, as Nov. 9-12, 1986 and April 5-8, 1987.

Perry buys Warehouse Way

PONTIAC, Mich. — Perry Drug Stores has bought seven Warehouse Way deep discount health & beauty aids stores in six Detroit suburbs for an undisclosed sum.

Final plans haven't been made yet for the 13,000- to 14,000-sq.-ft. stores, except they will become a mix of conventional Perry stores, Auto Works auto parts stores and deep discount A. L. Price drug stores, a spokesman said.

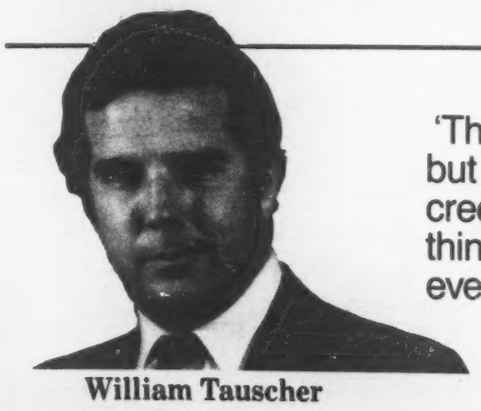
The buyout raises Perry's store count to 195 total, including 168 in Michigan, of which five are A. L. Price stores, the spokesman said. He added that the deal won't affect corporate plans to open 15 drug stores and 35 auto parts stores this fiscal year outside of acquisitions—and that Perry had already opened 20 new stores by presstime, with 30 more on tap over the next five months.

By buying these stores from the Weisberg family, who also owned the troubled Chatham supermarket chain in the Detroit area until selling it last year, Perry is advancing chairman Jack Robinson's stated plans to add to its drug store presence in this urban market.

Warehouse Way used to be run as a division of Chatham, but was spun off in May 1985 so The Weisbergs could retain it after selling Chatham to NuTrax.

The former Warehouse Way stores, all leased sites, were shuttered at closing of the sale to Perry, with no reopening schedule set yet. Despite Perry's dense coverage here already, no sales cannibalization is anticipated, a spokesman said.

They will be able to be serviced by the chain's 400,000-sq.-ft. distribution center in Pontiac, which recently was expanded by 175,000 sq. ft. and mechanized in anticipation of new stores.



William Tauscher

'They did make a good team, but certainly Tauscher is an incredibly dynamic guy, so I don't think it's going to be that big an event.'

Kent Blair
analyst, D.L.J. Securities

Richard Bard

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Tauscher to solo as Foxmeyer chief, Bard gets top spot at Coast to Coast

DENVER — The dynamic partnership of William Tauscher and Richard Bard at Foxmeyer is dissolving with a move by Bard to take the reins of the Coast to Coast Holding Co., the owner of Coast to Coast Hardware.

Bard will leave as president of Foxmeyer, the $1.3 billion company bought by National Intergroup, in March for the top spot at Coast to Coast as chairman and ceo. He will continue to serve on the NI Board of Directors.

Industry observers said the departure should not slow Foxmeyer's strong growth momentum, although Bard and Tauscher have been a talented duo.

"They did make a good team, but certainly Tauscher is an incredibly dynamic guy, so I don't think it's going to be that big an event," said Kent Blair, an analyst with D.L.J. Securities.

"Bard had a super opportunity there to take over running his own show," Blair added.

Tauscher will continue as chairman and add the title of president of Foxmeyer, which in March expanded its distribution capabilities in the non-health care industry through its acquisition of Ben Franklin Stores Inc., the variety store chain.

At Coast to Coast, Bard will be similarly running a distribution company with franchise stores.

"He has the same opportunity to do with Coast to Coast what he has had with Foxmeyer, and that is to grow," noted one observer.

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FINANCIAL

Alco goes abroad for acquisition financing

VALLEY FORGE, Pa. — By going abroad to finance its acquisition arsenal, Alco Health Services got its money faster and is saving itself a chunk on interest costs.

Financial Analysis

Three top Alco executives made the rounds of London, Zurich and Geneva in early June, and helped place $100 million of convertible subordinated debentures in the hands of European institutional investors.

The 15-year debentures mature July 1, 2001, and pay 6¼% interest—far below prevailing rates in the U.S. They're convertible anytime at $26.25 per share, a 22% premium over the stock's $21.50 price when the offer was made, chairman John H. Kennedy told *Drug Store News*.

Kennedy said the lower interest rate was just one reason for going abroad. He also eliminated the typical 30-day wait for SEC comments on domestic offerings and is working to build a financial audience in Europe.

He noted further that Alco Standard, the former parent of the nation's fourth largest drug wholesaler, paved the way with its own successful European offering in 1979.

Alco Health Services spun off from Alco Standard after going public in a domestic offering last August.

Drexel Burnham Lambert International was the underwriter of last month's debenture offer.

"We priced out alternative ways to raise $100 million, and considered ourselves to be in a great situation," Kennedy said.

"We had $122 million net worth and no debt to speak of." The offering circular for the debentures, dated June 6, showed $12 million debt owed to former parent Alco Standard and less than $1 million owed in mortgages.

Alco netted $97 million after underwriting and legal fees. It will close the DuBois takeover with $29 million cash from the offer and 26,667 shares of Alco common stock.

Moreover, Alco will use proceeds of the offering to retire all its debt to Alco Standard, gain freedom to acquire other drug wholesalers both in and out of current markets, and meet its working capital requirements, Kennedy said.

Acquisitions will raise Alco revenues to $1.25 billion this year, up from $955 million in the fiscal year ended Sept. 30, which creates the need for more working capital.

Alco revenues grew to $586 million in the six months ended March 31, up from $461 million in the comparable half a year ago. Net income also rose to $7.6 million, up from $5.8 million in the same period a year earlier.

Working capital in the most recent six months increased to $92.7 million, up from $84.7 million a year earlier.

Bergen Brunswig 3rd-qtr. profits fall

ORANGE, Calif. — Bergen Brunswig Corp. reported that its record of continuous earnings growth had been "temporarily interrupted" in the third quarter and nine months ended May 31.

The nation's second-largest drug wholesaler said earnings for the third quarter declined to $2.3 million, or 17¢ a share, from $6 million, or 45¢ a share, for the same period last year. Sales for the quarter increased 15% to $769 million. The year-earlier results included a $1 million charge for an acquisition that wasn't completed.

For the nine months, net earnings decreased to $14.9 million, or $1.08 per share, from $17.3 million, or $1.30 per share, in the comparable year-earlier period. Sales increased 30% to $2.28 billion during the period.

Rating lowered

Meanwhile, Standard & Poor's Corp. said it had lowered the rating on Bergen Brunswig's convertible subordinated debentures to Triple-B-minus from Triple B. About $135 million of debt is involved. Also lowered to Triple-B-minus was Bergen's planned offering of $40 million of exchangeable subordinated debentures due 2011.

S&P cited Bergen's stepped up acquisition activity, including the addition of about $700 million in annual sales, and the effect that activity has had on "financial measures of credit strength."

In discussing what he termed "disappointing" results for the third quarter, Emil P. Martini Jr., chairman and ceo, said that several of the company's recent acquisitions "have not achieved performance levels as rapidly as anticipated."

Kroger 1st qtr. sales up 9.1%

CINCINNATI — The Kroger Co., operater of SupeRx and Hook Drug as well as food/drug combination stores, reported increases in both sales and earnings for the first quarter ended March 22.

Net earnings for the period increased 2.8% to $32.3 million, or 74¢ a share, from $31.4 million, or 70¢ a share, in the same period last year.

Sales for the quarter increased 9.1% to $4.17 billion from $3.82 billion a year ago. Without companies acquired after the year-earlier quarter, including Hook, the sales gain would have been 4.1%.

Kroger reported that the improved results were across the board; food, drug and convenience stores and manufacturing all gained in the period, despite intensified competition, deflation in some commodity prices, continued pressure on expenses, and a depressed economy in some markets, including Houston.

Begley's net income rises 1% at year-end

RICHMOND, Ky. — Begley Company reported that net income for the year ended March 31 increased 1% to $701,277 from $694,843 in the prior year.

Sales for the year increased to $70.4 million from $66.1 million last year, a 6.5% gain.

Robert J. Begley, chairman and president, said the earnings gain had been achieved despite a one-time charge of $345,571 in receivables.

At the close of the year, the company was operating 40 drug stores, six home health care centers and 132 dry-cleaning stores.

		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 06/06/86 - 06/18/86												
					Change		52-Week		Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change		Latest P/E Ratio	Indicated Dvd. Rate	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low		Amt.	Pct.		Amt.	Yield
-	-	$	$	$	$	%	$	$	$		%	-	$	%
Chain Store transactions														
Am Stores	ASC	70.25	62.00	67.88	4.13	6.47	70.25	53.13	4.11	-1.33 q	-23.8	15.9	.84	1.2
Begley Co	BGLY	22.50	21.50	22.50	1.00	4.65	23.50	15.50	1.26	.50 n	42.7	13.5	.72	3.2
Big B	BIGB	16.63	16.00	16.25	-.38	-2.26	17.88	12.63	.61	-.04 q	-5.7	24.6	.00	.0
Drug Sys	DRGS	6.38	5.00	6.38	1.00	18.60	6.38	3.75	.35	-.97 n	-100.0	NE	.45	7.1
Fay's Drug	FAY	10.88	10.13	10.75	.13	1.18	11.75	8.00	.20	-.50 q	-87.7	NM	.20	1.9
Genovese Drug	GDX	14.50	13.88	13.88	-.25	-1.77	15.00	9.63	.73	-.17 q	-19.1	19.3	.20	1.4
Longs Drg Strs	LDG	34.88	32.00	32.63	-.63	-1.88	35.38	24.75	1.74	-.19 q	-9.9	18.9	.76	2.3
Medicare Glaser	MGCO	4.00	3.50	3.50	-.25	-6.67	5.00	3.50	-.20	-.25 f	-100.0	NE	.00	.0
Medicine Shoppe	MSII	31.25	30.25	30.25	-.75	-2.42	32.00	21.00	.84	.14 s	18.2	33.2	.00	.0
Perry Drug	PDS	20.00	19.00	19.38	-.50	-2.52	20.88	12.75	.98	.14 *	16.7	19.8	.22	1.1
Revco Drug	RDS	37.13	36.13	36.63	-.25	-.68	39.88	23.13	1.06	-1.01 n	-51.3	38.2	.80	2.2
Rite Aid Corp	RAD	33.50	32.00	33.25	.00	.00	35.25	21.50	1.52	-.17 f	-10.1	21.9	.58	1.7
Thrifty Cp	TFD	37.25	35.75	36.88	.88	2.43	40.38	18.13	1.60	.13 s	8.6	22.3	.64	1.7
Walgreen Co	WAG	39.00	34.63	37.75	1.38	3.78	39.00	22.50	1.53	.14 s	9.4	23.2	.50	1.3
Wholesaler's transactions														
Alco Hlth	AAHS	22.50	21.88	22.00	-1.13	-4.86	25.38	12.75	1.10	1.19 s	NC	18.5	.00	.0
Bergen Bruns	BBCA	28.63	21.88	24.25	-4.50	-15.65	37.25	21.88	1.82	-.26 n	-14.4	15.6	.32	1.3
Bindley Wstn	BIND	12.25	11.25	11.50	-.63	-5.15	14.00	7.75	.79	.10 q	13.2	13.4	.00	.0
Cardinal Distrb	CDIC	25.00	24.00	24.00	-.25	-1.03	25.25	14.22	1.36	.44 f	47.8	17.6	.08	.3
Durr Fillauer	DUFM	16.75	15.75	16.13	-.13	-.77	16.75	9.25	.78	.01 q	1.3	20.2	.16	1.0
Ketchum	KCH	19.63	18.63	19.00	-.75	-3.80	23.25	14.75	.56	-.01 n	-2.2	43.2	.00	.0
McKesson Cp	MCK	64.75	61.00	62.00	-3.00	-4.62	65.25	44.88	3.96	.36 f	10.0	15.7	2.40	3.9
Moore Med	MMD	25.00	21.50	24.00	2.38	10.98	25.00	15.75	1.45	.29 q	25.7	16.9	.00	.0
Owens & Minor	OBOD	19.88	19.50	19.75	.00	.00	20.25	13.38	1.14	.10 q	9.7	17.5	.28	1.4
Manufacturer's transactions														
Abbott Labs	ABT	50.63	45.50	48.88	2.00	4.27	50.63	26.44	1.94	.30 q	17.3	24.1	.84	1.7
Am Home Prod	AHP	87.75	83.13	86.63	2.25	2.67	88.38	54.75	4.70	.36 q	8.1	18.0	3.10	3.6
Baxter Travenol	BAX	20.38	19.13	19.75	-.63	-3.07	21.25	12.38	.85	.48 q	200.0	27.4	.40	2.0
Block Drugs Co	BLOCA	24.75	23.75	24.75	.00	.00	26.25	17.00	1.84	.14 f	8.2	13.5	.50	2.0
Bolar Pharm	BLR	28.13	26.00	27.38	-.38	-1.35	28.13	12.00	.71	.17 q	26.2	33.4	.05	.2
Bristol-Myers	BMY	84.88	77.75	84.50	3.25	4.00	84.88	53.63	3.86	.42 q	11.8	21.3	2.20	2.6
Carter-Wallace	CAR	65.75	62.00	65.25	.38	.58	66.25	32.38	3.63	.97 f	36.5	18.0	.60	.9
Forest Labs	FRX	18.63	17.00	17.25	-1.38	-7.38	19.69	10.56	.98	.61 f	164.9	17.6	.00	.0
ICN Pharm	ICN	17.25	12.50	16.50	3.63	28.16	17.25	8.50	-2.10	-2.11 q	-100.0	NE	.00	.0
Key Pharm	KPH	20.88	19.38	20.75	.50	2.47	20.88	7.13	-.02	-.57 q	-93.4	NM	.00	.0
Lilly Eli Co	LLY	81.63	74.25	79.00	1.88	2.43	81.63	40.50	3.69	.27 q	7.7	20.8	1.80	2.3
Lee Pharm	LPH	30.13	26.13	27.88	.88	3.24	32.75	4.88	.40	.27 s	87.1	48.1	.00	.0
Leiner P Nutri	PLIN	16.50	14.00	16.50	2.00	13.79	16.50	8.25	.81	.03 f	3.8	20.4	.00	.0
Marion Labs	MKC	41.25	37.38	39.25	.25	.64	41.25	15.63	.47	.22 n	51.2	60.4	.20	.5
Merck & Co	MRK	102.88	92.00	102.25	3.75	3.81	102.88	51.75	3.79	.57 q	16.6	25.6	1.80	1.8
Morton Thiokol	MTI	37.88	35.75	36.13	-.88	-2.36	40.50	30.00	2.50	-2.66 n	-67.9	28.7	.70	1.9
Mylan Labs	MYL	25.75	23.50	24.25	.25	1.04	27.13	13.50	.86	.34 f	65.4	28.2	.10	.4
Newport Pharm	NWPH	7.13	6.75	6.75	-.25	-3.57	14.50	6.25	.05	-.08 n	-100.0	NE	.80	11.9
Par Pharm	PARP	17.75	15.75	17.50	1.25	7.69	23.25	14.25	.47	.01 s	2.0	34.3	.00	.0
Pfizer Inc	PFE	68.50	61.75	68.00	4.50	7.09	68.50	43.75	3.44	.35 q	10.9	19.2	1.64	2.4
Robins, AH	QRAH	12.25	11.00	12.00	1.00	9.09	19.25	5.50	2.53	20.78 q	NE	4.7	.00	.0
Rorer Group	ROR	41.25	40.00	40.00	-.88	-2.14	47.00	32.50	1.72	-.21 q	-10.1	21.4	1.12	2.8
Scherer RP Co	SCHC	15.50	14.50	15.00	.38	2.56	16.50	10.75	-1.23	-.80 f	NE	NE	.32	2.1
Scher Plough	SGP	79.00	73.25	78.75	1.25	1.61	79.00	44.00	3.77	.43 q	12.2	19.9	1.80	2.3
Squibb Corp	SQB	101.75	96.75	100.25	-1.50	-1.47	106.00	60.38	4.20	.64 q	17.0	22.7	2.00	2.0
Sterling Drug	STY	45.88	42.50	44.38	-.63	-1.39	47.13	29.50	1.83	-.51 q	-21.2	23.4	1.32	3.0
Syntex Corp	SYN	67.38	63.25	66.63	-.63	-.93	67.50	28.88	4.95	3.31 n	160.7	12.4	1.20	1.8
Thompson Med	TM	19.50	17.63	18.38	-.13	-.68	21.00	11.75	1.18	-.75 q	-39.5	16.0	.40	2.2
Upjohn Co	UPJ	103.75	90.00	96.75	-4.25	-4.21	103.75	50.38	3.29	.85 q	32.6	28.0	1.52	1.6
Warner-Lambrt	WLA	59.75	56.50	58.25	-.88	-1.48	60.75	33.75	-4.05	-6.83 q	-100.0	NE	1.56	2.7
Zenith Labs	ZEN	32.50	30.88	32.13	-.38	-1.15	36.63	17.38	1.46	1.04 q	216.7	21.1	.00	.0

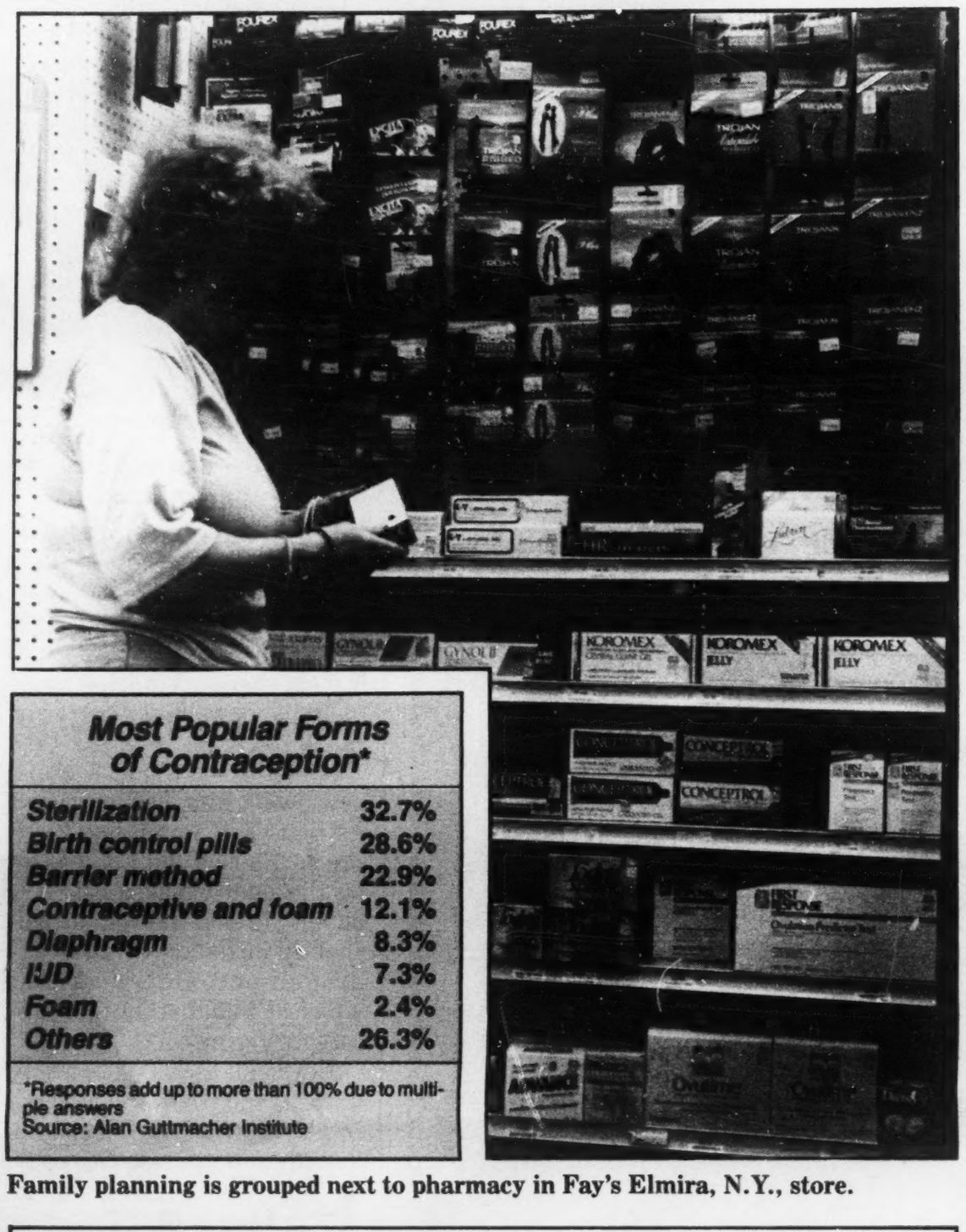
All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISING TRENDS



Family planning is grouped next to pharmacy in Fay's Elmira, N.Y., store.

Most Popular Forms of Contraception*	
Sterilization	32.7%
Birth control pills	28.6%
Barrier method	22.9%
Contraceptive and foam	12.1%
Diaphragm	8.3%
IUD	7.3%
Foam	2.4%
Others	26.3%

*Responses add up to more than 100% due to multiple answers
Source: Alan Guttmacher Institute

More women shopping for birth control items

Disease fears cause condom sales increase

Condoms, once hidden behind the pharmacy counter, are now displayed prominently to ease self-selection and add impulse. That pronounced change has made it easier for women—the primary household shoppers—to pick up a box of condoms as easily as they select their family's shampoo or toothpaste.

Retailers and marketers of birth control methods report a dramatic increase in the number of women assuming responsibility for buying birth control products, particularly condoms. Some industry sources estimate that women buy close to 50% of the 800 million (units) of prophylactics purchased annually in the United States.

This trend, plus the fear of AIDS, herpes and chlamydia, have all created a 25% climb in condom sales, now pegged at $200 million per year. Once considered the least desirable form of contraception, the condom is becoming more in vogue. It is even stealing some sales away from foams and the pill, report buyers from Happy Harry's of Newark, Del., and Perry Drug.

Relocating condoms

In order tc grab more of women's purchasing dollars, drug chains are relocating condoms, moving them away from the pharmacy to space near the feminine hygiene department.

For example:

- Seattle-based Bartell Drug offers a 4-ft to 8-ft. segment of condoms pegged on a gondola near female birth control products.
- Vons Pavilion places a 4-ft. selection of condoms near other feminine needs products in its new 55,000-sq.-ft. to 75,000-sq.-ft. Pavilion units.
- At Perry, buyer Christine Rainey has created a special wire rack that clamps onto the gondola in the feminine hygiene department. The rack is six pegs wide and allows Perry the chance to cross-merchandise the category. Condoms are also housed on a 3-ft. or 4-ft. rack near the pharmacy.
- Peoples Drug is in the process of moving condoms completely away from the pharmacy to pegged space in the feminine hygiene area. "Women buy them, so that's where we're putting them," explained Stephen Peck, vp-merchandise manager at Peoples.

Reasons for sales increase

Lynne M. Pauls, of EF Hutton, attributes increasing condom sales to the demise of the intrauterine device, as well as to the increase in female buyers and the threat of disease. Rainey at Perry offers further proof that women are buying more. "We're seeing more activity in 36-count boxes. Women are more cost-conscious and recognize the value in the bigger pack."

Chains are not alone in their efforts to attract women shoppers to the con-

See ***Women,*** *page 15*

Family planning facts
• Over $1 billion is spent on birth control in the United States yearly.
• There were more than 3 million unplanned pregnancies in the country last year.
• There were more than 3 million new cases of chlamydia—a bacterial infection that can cause cervicities (inflammation of the cervix), infertility and even Reiter's syndrome, an arthritic condition.
• There were 1.8 million new cases of gonorrhea, 500,000 new cases of genital herpes and 90,000 new cases of syphilis in the United States in 1985.

Source: Planned Parenthood

Sales of family planning devices up

Sales of other family planning devices are increasing, too. In fact, condoms, items such as the Today Sponge, foams and jellies, pregnancy testers and ovulation predictors clicked in 1985 to generate chain drug volume of $176.6 million, up 18% over 1984.

Disenchantment with other forms of birth control, such as the IUD, has fueled movement of alternate forms, particularly the Today Sponge, say sources at Perry, Bartell and Genovese.

According to VLI, the maker of the Today Sponge, the products snared a new high of 26.7% of all female OTC birth control products.

The working woman is also a catalyst behind exceptionally brisk movement of early pregnancy

See ***Sales,*** *page 15*

Chains promote hydrogen peroxide systems in lens care

Drug chains are shifting their promotional focus in eye/lens care toward new, higher-ticket hydrogen peroxide-based systems.

Merchants are carrying these latest doctor-recommended systems, while closely monitoring the category's growing price sensitivity.

Revco, Rite Aid and Kerr Drugs are among chains who have recently replanogrammed or are planning new displays to ensure exposure of systems such as Ciba Vision Care's AOSEPT and LENSEPT and CooperVision's MiraSept.

"I think there is still tremendous potential for the (hydrogen peroxide) segment, because it still has a relatively small share of market, but that is growing," said Ellis Jones, Revco's senior merchandising director for OTC

The hydrogen peroxide regimens offer two advantages to consumers: They're heat free and preservative free, for greater convenience and the elimination of the risk of eye surface reactions.

Because these regimens are making the category more profitable, competition is heating up. Meanwhile, customers' growing price awareness of the market of premix solutions for soft lenses is stimulating interest among chains and consumers for private label.

But although some retailers find customers willing to gravitate to their store brand saline solutions, other retailers said customers for the most part remain strongly tied to the particular cleaning and disinfecting systems recommended by their doctors.

See ***Systems,*** *page 14*

Rite Aid, Elmira, N.Y., displays eye care products above lens care planogram.

MERCHANDISING TRENDS

Condom marketers target women shoppers

Continued from page 13
dom department.

Condom marketers are also pitching women. Carter-Wallace, which recently acquired the No. 1 prophylactic manufacturer, Young Drug Co., is beginning to advertise in women's magazines like *Redbook*. This is in addition to a different packaging approach begun a few years ago to show a man and woman instead of the macho Trojan Warrior. Trojan controls roughly a 56% share of the condom market, noted EF Hutton's Pauls.

Mentor 'safety seal'

Mentor, a new two-piece condom, features a "safety seal" and is packaged in attractive pastel boxes. Alfred T. Mannino, vp-health care products for Mentor, believes Mentor will appeal to women and therefore should be merchandised near other female birth control products.

"There are many women who cannot take the pill, and they are turning to condoms," he said. In fact, he estimates that 60% of the 18- to 44-year-old population uses some birth control; 12% to 15% of that group use condoms.

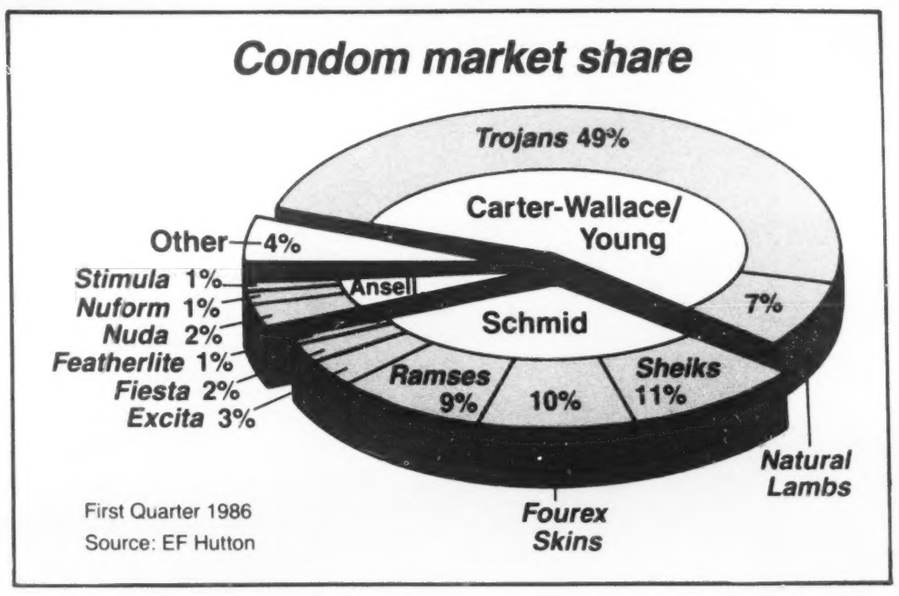
Kevin Foley, communications director for National Sanitary Laboratories Inc., said his company has extended its Protex line with Lady Protex to appeal to women.

But even with the healthy growth of the condom category, buyers say they basically stick with the two top brands: Young and Schmid. Together, these brands control 90% of total sales.

"Why should we add too many others when these are so strong?" asked Peck at Peoples.

Other chains add they are reluctant to cross-merchandise condoms—despite an increase of women buyers—in feminine hygiene. Dan Herrmann, president of Fay's Drugs, keeps prophylactics at the pharmacy counter. "Condoms and diet aids are the first things consumers steal because they are embarrassed to check them out," he said.

Still others—Genovese, for instance—keep condoms behind the counter to maintain a "family image." Don Gross, vp-marketing, feels the chain's consumers prefer it that way.



Family planning product sales up

Continued from page 13
tests and ovulation monitors. The success of these high margin—45% and up—items is causing chains such as Harco and Perry to extend the femine hygiene selection.

The reason is that working women put off childbearing until later and are therefore more concerned about detecting pregnancies early, according to Holly Akin, product manager-self diagnostic products at Warner-Lambert, maker of e.p.t., the No. 1 early pregnancy detector.

"They have often waited so long that they want to know right away if they are pregnant, so they can get good prenatal care," said Akin.

Fairly new on the scene are the ovulation testers, which are aiding the 3.5 million American couples who have trouble conceiving to find the right time. One brand on the market, Ovutime, predicts up to 36 hours when women may ovulate.

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Exclusive survey: Consumer attitudes on capsules
—See page 72

Drug Store News launches Inside Pharmacy
—See page 69

DRUG STORE NEWS®

Vol. 8/No. 16 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. July 21, 1986

Triple A marketmakers set pace

—See page 2

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NEWS IN BRIEF

Merrell Dow cleared in defect case

SAVANNAH, Ga. — A Georgia jury has ruled that Bendectin, a prescription drug taken for morning sickness during pregnancy, was not the cause of a 9-year-old girl's birth defects.

The verdict ended a nine-day trial held in the U.S. District Court for the Southern District of Georgia that addressed allegations that the Merrell Dow antinausea drug caused the defective hand of Paige Will of Savannah.

Peoples names 4 new coo's

ALEXANDRIA, Va. — Peoples Drug Stores named four new coo's for its operating divisions, announced senior vp-operations Jeffrey Fantle.

They are:

- Kenneth C. Simmons, 44, to vp-mid-Atlantic division, covering 364 stores, from his former post as head of the Midwest division since 1981.
- Harland D. Hotham, 45, to vp-Midwest division, covering 120 stores, from his former post as regional vp-operations in the Washington/northern Virginia area.
- George Hampu, to vp-Lane Drug division, covering 109 stores, from his former post as vp-store operations at Lane.
- John Crisafulli, 38, to vp-Reed Drug division, covering 76 stores, from his former post as regional vp responsible for about 90 stores in Baltimore/southern Pennsylvania.

Kenneth C. Simmons

Harland D. Hotham

George Hampu

John Crisafulli

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Vol. 8, No. 16 July 21, 1986

B-Mart in the black

Big B eyes combo growth

BIRMINGHAM, Ala. — Big B announced new growth plans for its food/drug combos, as record first-quarter sales and earnings bolstered its aggressive 1986 drug store expansion program.

Big B president Anthony Bruno told stockholders last month the chain will "actively seek locations" for new B-Mart combos. Although growth has been on hold since the last B-Mart opened two years ago, operations have improved, and the division has been in the black, said Robert Little, vp, store operations.

"We feel positive about these stores. It's just a matter of learning the business," said Little.

Reports circulated this year that Big B was considering selling the combos. Analysts have said that some of the stores have taken twice as long to break even as some of their competitors, and have lost money. Part of the reason is that they are saddled with higher cost of goods, since B-Mart must acquire groceries through a wholesaler.

Little said it is unlikely that any new combos will open in 1986, as it takes about six months to open a store after a site has been found.

The combo growth, as well as operations of drug stores, will be supported by a personnel shuffle and the creation of a new position of regional operations director, responsible for operations of all the chain's retail units.

Steven Collins, who has been director of the B-Mart segment, will fill the new position, answering to Little. Big B has hired Mac Baird, a former employee of "a local food chain," as operations chief for B-Mart.

Sales and earnings in the quarter ended May 10 buoyantly rebounded from a fourth quarter slide resulting from disruptions when Big B moved into its new $7 million distribution center. Little said the results will allow it to reverse its depressed 1986 annual tally that was strongly affected by the fourth quarter.

"Everybody busted tail for a good first quarter, and we got it. And we expect to put three more good quarters behind that first quarter," said Little.

"We're returning to our normal way of operations," he added.

Unit growth, meanwhile, galloped ahead, supported by a June 3 $16 million stock sale. With eight openings of new, freestanding and strip center units in the quarter, the chain was focusing on a 30-unit new store total for the year, with development of Tennessee, southern Georgia, and southern Mississippi markets it entered last year.

About one-half of the stock proceeds will fund the growth, with emphasis in southern Georgia, which could end the year with 15 units, up 10. Remaining proceeds will retire short-term debt.

Big B stock, listed on the NASDAQ market, climbed from $16 per share at the time of the sale to $18.75 on July 3.

Little said he will be freed from total day-to-day responsibility for store operations with the creation of the new director's post, allowing him to concentrate on special projects, including merchandising.

Sen. panel OKs bill barring polygraph exemption

WASHINGTON — Controversial legislation barring drug chains, independent pharmacies and other private sector employers from lie detector testing sailed through the Senate Labor and Human Resources Committee recently.

Unlike the earlier House-passed polygraph bill, which contains a drug store industry exemption permitting lie detector testing of employees with direct access to controlled substances, the Senate measure that emerged from the committee late last month includes no such provision.

Throughout the past several months, the Senate polygraph bill—authored by committee chairman Orrin G. Hatch (R-Utah)—has met with stiff opposition from drug store industry groups.

On the other hand, the American Pharmaceutical Association said it strongly supports legislation prohibiting the use of polygraph testing, on grounds that such exams are "used to intimidate and harass employees."

Although many industry leaders are upset about committee passage of the polygraph legislation, a labor committee staffer told *Drug Store News* that the bill was approved "clean," with only one exemption—for government employees and defense contract workers—and with the promise from Hatch that a "compromise" package would be worked out before the measure reaches the Senate floor.

The committee aide said the "compromise" package would most likely water down the legislation altogether and specifically allow for the private sector use of polygraphs with "minimal" federal regulations (such as tighter rules governing examiners and questions asked).

Sav-Mor ads enhance image in Detroit

DETROIT — A 45-member cooperative of independent drug stores in the tri-county metro area has fired up its first multimedia ad campaign, responding to mounting competitive pressure from Arbor Drugs and Perry Drugs.

Sav-Mor Drugs' first use of television and radio ads is part of a stepped-up program to build the organization's image with the buying public.

Besides infusing dollars into a fattened advertising budget, member drug stores are adopting the Sav-Mor name in outdoor blue-and-yellow store signs and are identifying themselves as Sav-Mor stores on the telephone and in advertisements.

Buying efficiencies

The stores are already recovering from sorely squeezed and nonexistent margins on promotional items, as a result of improved buying efficiencies stemming from stepped-up enrollment. Fourteen new members have been approved in the last year, said Charles Canvasser, a partner in the six-store Maple Village chain in Ann Arbor and Farmington.

"Our margins are a little bit better. We don't feel that we have to give any merchandise at cost or below cost to bring people into the store under the Sav-Mor name," said Canvasser.

Sav-Mor has been around since 1958. But it was only recently galvanized to enhance its programs as a result of competition from Perry and Arbor, both of which have strong growth agendas for the state's southeastern corner.

"The independents realized that they have to become aggressive quickly, or they would disappear. For buying power, we can compete with the largest chain," said Don Girodat, who heads Sav-Mor's seven-member administrative staff.

Ad campaign pool

Each store is contributing $6,000 a year for television and radio ads. Sav-Mor will spend $500,000 to $1 million this year on TV and radio, and $500,000 on direct-mail circulars. Television ads kicked off April 7. Radio will follow later this year.

Canvasser said his Maple Village stores are experiencing higher and more balanced traffic volume under a new couponing format for monthly inserts and direct-mail circulars. The coupons now mature in staggered weekly terms, rather than all at once, preventing customers from cashing in all the coupons within the first week of the month. Twenty-five different coupons are offered per week, as opposed to the past practice of offering 50 per month.

The coupons are paired with 40 or 50 no-coupon, no-limit items advertised as specials.

Correction

An editing error in the July 7 issue made it appear that the Dart Group had completed the takeover of one of the companies in which it had purchased stock in the past year. In fact, no takeover has taken place.

FINANCIAL

NI consolidates debt after FoxMeyer buy

PITTSBURGH — National Intergroup Inc.'s $325 million sale of subordinated notes will consolidate its debt into long-term, fixed-rate financing, following its purchase of FoxMeyer.

Financial Analysis

Proceeds will be used to retire variable-rate and short-term debt, including $90 million to pay off a variable rate credit agreement incurred in buying FoxMeyer, the third largest drug wholesaler. Ninety-three million dollars will retire debt from 16.24% bank notes. Proceeds will also pay a portion of FoxMeyer's $190 million in outstanding debt and pay outstanding overnight borrowings of $5 million to $10 million from banks.

Carrying 11.2% interest, the notes will add to NI's flexibility as it realigns its business around FoxMeyer and the Permian Oil Corp. With Permian generating cash to support FoxMeyer's growth, NI should be able to "fund a good part of its growth internally," said Steven Brooks, an analyst with Moodys Investor Service.

"It just remains to be seen how well Permian performs," said Brooks.

The oil company stumbled in the first quarter with a $26.2 million charge against earnings resulting from a sharp drop in the price of oil. The loss is viewed by analysts and the company as a one-time occurrence that shouldn't prevent Permian from producing $70 million to $80 million in earnings annually. NI said the corporation overall expects a net loss for the quarter of over $50 million, with part of the loss stemming from a $20 million equity loss from NI's 50% share of the National Steel Corp.

The reduced cash flow from Permian in the first quarter, the cost of the FoxMeyer buy, a repurchase of 1.3 million shares of its common stock from the Leucadia National Corp., operating losses in other divisions, and increased overhead all contributed to a substantial decline in working capital since December, the company said. It was at $185 million in March.

But analysts said NI should continue to be in a position to support FoxMeyer's acquisitions in the wholesale industry as a result of income from planned divestitures, as well as cash flow from Permian.

McKesson tops $6B fiscal '85 revenues

SAN FRANCISCO — McKesson Drug, which tipped past the $6 billion revenues mark in its latest fiscal year, held its first national conference in decades last month.

Rex Malson, drug and health care group president, outlined the distributor's repositioning, and noted how these two divisions now generate 65% of corporate revenue.

Corporate results showed a 28% revenue gain to $6.3 billion in the fiscal year ended March 31, up from $4.9 billion a year ago. Net income rose 20% to $77.9 million, up from $65 million in the comparable year-earlier period.

Drug division president Joseph Polastri and other executives outlined some changes over the years that led to these results:

- Warehouse efficiency increased 57% between 1980 and 1986, enabling McKesson to sustain 96% service levels. McKesson currently operates 48 distribution centers, each averaging 20,000 sku's. That is down from 80 DCs averaging 15,000 sku's nine years ago.
- McKesson plans to add 12 more state-of-the-art DCs during the next three years, after having invested $50 million to construct 14 DCs since 1980.
- More than 99% of merchandise orders are done electronically, mostly through McKesson's Economost system, which expanded its user base by 1,752 last year to 10,700.
- Its overall retail customer base grew by 1,300 last year to include 16,000 retailers and hospitals.

In a related move to consolidate operations, McKesson relocated its Valu-Rite national headquarters to its corporate offices here and moved Western region headquarters to an existing McKesson facility in Anaheim, Calif. Valu-Rite is a 2,100-member voluntary chain of independent drug stores.

Super Valu sales rise; income slips

MINNEAPOLIS — Super Valu Stores, the parent of powerhouse Cub stores that shake up markets wherever they go, reported higher sales but lower net earnings in the 16 weeks ended June 14.

Sales rose to $2.64 billion in the recent 16-week period, up from $2.17 billion in the comparable period a year earlier.

Net income slipped, however, to $29.4 million, down from $29.6 million in the same period a year ago.

Drug Systems revenues slide

MILWAUKEE — Drug Systems, parent of the Pill & Puff chain in this city, reported sharply lower performance in the fiscal year ended March 29.

Revenues slid to $80.1 million in the year just ended, down from $104.7 million in the prior fiscal year.

The company also experienced a net loss of $1.5 million in the most recent year, compared to net income of $1.3 million in the year before.

Full-year earnings results were offset in part by net income in the final quarter of $601,000, up from $156,000 in the prior fourth quarter.

Revenues in the final quarter slid by nearly half, however, to $11.7 million, down from $23 million a year ago.

Genovese sales up 9% in qtr.

MELVILLE, N.Y. — Genovese Drug Stores reported increased sales and a slight dip in earnings for the 16-week first quarter ended May 23.

Sales for the quarter increased 9% to $74.8 million from $68.7 million in the same year-earlier period. Net income decreased to $293,000, or 7¢ a share, from $317,000, or 8¢ a share, last year.

		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 06/20/86 - 07/02/86								Latest 12 Months vs Preceding 12 Months Change				
					Change		52-Week		Last Fiscal Year			Latest P/E Ratio	Indicated Dvd. Rate	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low		Amt.	Pct.		Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	71.25	67.00	70.88	1.63	2.35	71.25	53.13	4.11	-1.33 q	-23.8	16.6	.84	1.2
Begley Co	BGLY	21.75	21.75	21.75	-.75	-3.33	23.50	15.50	1.26	.50 n	42.7	13.0	.72	3.3
Big B	BIGB	18.75	16.00	18.75	2.75	17.19	18.75	12.63	.61	-.04 q	-5.7	28.4	.00	.0
Drug Sys	DRGS	7.38	6.50	7.25	1.00	16.00	7.38	3.75	.35	-.97 n	-100.0	NE	.45	6.2
Fay's Drug	FAY	10.88	10.50	10.63	.00	.00	11.75	8.00	.20	-.50 q	-87.7	NM	.20	1.9
Genovese Drug	GDX	14.38	13.75	14.25	.38	2.70	15.00	9.63	.73	-.17 q	-19.1	19.8	.20	1.4
Longs Drg Strs	LDG	36.75	34.00	35.25	-.75	-2.08	38.75	24.75	1.74	-.19 q	-9.9	20.4	.76	2.2
Medicare Glaser	MGCO	3.75	3.50	3.75	.25	7.14	5.00	3.50	-.20	-.25 f	-100.0	NE	.00	.0
Medicine Shoppe	MSII	31.50	30.25	31.50	1.25	4.13	32.00	21.00	.84	.14 s	18.2	34.6	.00	.0
Perry Drug	PDS	20.75	18.50	20.50	1.88	10.07	20.88	12.75	.98	.14 *	16.7	20.9	.22	1.1
Revco Drug	RDS	37.63	36.38	37.38	.50	1.36	39.88	23.13	1.06	-1.01 n	-51.3	38.9	.80	2.1
Rite Aid Corp	RAD	35.50	32.38	35.25	2.63	8.05	35.50	21.50	1.52	.09 q	5.6	20.9	.58	1.6
Thrifty Cp	TFD	39.50	37.13	38.88	1.50	4.01	40.38	18.13	1.60	.13 s	8.6	23.6	.64	1.6
Walgreen Co	WAG	39.50	37.63	38.88	.63	1.63	39.50	22.50	1.53	.14 s	9.4	23.8	.50	1.3
Wholesaler's transactions														
Alco Hlth	AAHS	23.75	22.63	23.75	1.25	5.56	25.38	12.75	1.10	1.19 s	NC	20.0	.00	.0
Bergen Bruns	BBCA	26.00	23.00	25.63	2.63	11.41	37.25	21.88	1.82	-.26 n	-14.4	16.5	.32	1.2
Bindley Wstn	BIND	12.13	11.75	12.00	.13	1.05	13.00	7.75	.79	.10 q	13.2	14.0	.00	.0
Cardinal Distrb	CDIC	24.00	23.50	23.75	-.25	-1.04	25.25	14.22	1.36	.44 f	47.8	17.5	.08	.3
Durr Fillauer	DUFM	16.38	16.00	16.38	.25	1.55	16.75	9.25	.78	.01 q	1.3	20.5	.16	1.0
Ketchum	KCH	19.00	18.00	18.00	-1.00	-5.26	23.25	14.75	.56	-.01 n	-2.2	40.9	.00	.0
McKesson Cp	MCK	62.63	60.88	62.50	.63	1.01	65.25	44.88	3.96	.36 f	10.0	15.8	2.40	3.8
Moore Med	MMD	24.13	22.75	23.00	-1.00	-4.17	25.00	15.75	1.45	.29 q	25.7	16.2	.00	.0
Owens & Minor	OBOD	20.25	17.63	17.88	-2.00	-10.06	20.25	13.38	1.14	-.10 q	9.7	15.8	.28	1.6
Manufacturer's transactions														
Abbott Labs	ABT	55.00	49.13	54.25	3.25	6.37	55.00	26.44	1.94	.30 q	17.3	26.7	.84	1.5
Am Home Prod	AHP	92.38	87.00	91.88	2.38	2.65	92.38	54.75	4.70	.36 q	8.1	19.1	3.10	3.4
Baxter Travenol	BAX	19.38	17.88	18.75	-.50	-2.60	21.25	12.38	.85	.48 q	200.0	26.0	.40	2.1
Block Drugs Co	BLOCA	26.00	24.50	25.50	.50	2.00	26.25	18.22	1.84	.14 f	8.2	13.9	.50	2.0
Bolar Pharm	BLR	32.88	28.38	29.88	1.25	4.37	32.88	12.00	.71	.17 q	26.2	36.4	.05	.2
Bristol-Myers	BMY	88.50	83.75	86.38	2.13	2.52	88.50	53.63	3.86	.42 q	11.8	21.8	2.20	2.5
Carter-Wallace	CAR	73.25	66.50	73.25	6.25	9.33	73.25	32.38	3.63	.97 f	36.5	20.2	.60	.8
Forest Labs	FRX	20.38	17.13	19.38	2.25	13.14	20.38	10.56	.98	.61 f	164.9	19.8	.00	.0
ICN Pharm	ICN	16.38	14.75	14.88	-.88	-5.56	17.25	8.50	-2.10	-2.11 q	-100.0	NE	.00	.0
Lilly Eli Co	LLY	83.50	78.50	82.38	4.13	5.27	83.50	40.50	3.69	.27 q	7.7	21.7	1.80	2.2
Lee Pharm	LPH	30.88	25.25	30.50	4.13	15.64	32.75	5.38	.40	.27 s	87.1	52.6	.00	.0
Leiner P Nutri	PLIN	20.75	18.25	20.00	3.50	21.21	20.75	8.25	.81	.03 f	3.8	24.7	.00	.0
Marion Labs	MKC	49.63	38.25	48.63	10.00	25.89	49.63	15.63	.47	.22 n	51.2	74.8	.20	.4
Merck & Co	MRK	105.88	100.13	105.38	2.88	2.80	105.88	51.75	3.79	.57 q	16.6	26.3	1.80	1.7
Morton Thiokol	MTI	38.50	35.13	38.25	1.25	3.38	40.50	30.00	2.50	-2.66 n	-67.9	30.4	.70	1.8
Mylan Labs	MYL	26.00	23.75	25.38	1.00	4.10	27.13	13.50	.86	.34 f	65.4	29.5	.10	.4
Newport Pharm	NWPH	7.13	6.63	6.88	-.13	-1.79	14.50	6.25	.05	-.08 n	-100.0	NE	.80	11.6
Par Pharm	PARP	19.25	17.50	18.75	1.00	5.63	23.25	14.25	.47	.01 s	2.0	36.8	.00	.0
Pfizer Inc	PFE	72.75	68.63	72.50	3.50	5.07	72.75	43.75	3.44	.35 q	10.9	20.4	1.64	2.3
Robins, AH	QRAH	12.13	11.00	11.13	-.13	-1.11	19.25	5.50	2.53	20.78 q	NE	4.3	.00	.0
Rorer Group	ROR	43.00	39.13	41.50	2.25	5.73	47.00	32.50	1.72	-.21 q	-10.1	22.2	1.12	2.7
Scherer RP Co	SCHC	17.88	15.25	17.88	1.75	10.85	17.88	11.00	-1.23	-.80 f	NE	NE	.32	1.8
Scher Plough	SGP	86.75	79.63	85.75	5.38	6.69	86.75	44.75	3.77	.43 q	12.2	21.7	1.80	2.1
Squibb Corp	SQB	115.25	99.50	114.63	13.38	13.21	115.25	65.13	4.20	.64 q	17.0	26.0	2.00	1.7
Sterling Drug	STY	49.00	44.00	48.00	3.25	7.26	49.00	29.50	1.83	-.51 q	-21.2	25.3	1.32	2.8
Syntex Corp	SYN	72.75	66.13	70.88	4.13	6.18	72.75	28.88	4.65	3.31 n	160.7	13.2	1.20	1.7
Thompson Med	TM	18.13	17.25	17.50	-.38	-2.10	21.00	11.75	1.18	-.75 q	-39.5	15.2	.40	2.3
Upjohn Co	UPJ	96.50	90.63	94.63	2.13	2.30	103.75	50.38	3.29	.85 q	32.6	27.3	1.52	1.6
Warner-Lambrt	WLA	63.13	56.50	62.88	5.00	8.64	63.13	33.75	-4.05	-6.83 q	-100.0	NE	1.56	2.5
Zenith Labs	ZEN	17.50	15.38	15.63	-1.00	-6.02	18.31	8.69	.73	.52 q	216.7	20.6	.05	.3

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.

q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

Triple A Product Study

New Triple A products add firepower

By Al Heller

Triple A products form the backbone of drug store merchandising efforts nationwide.

In this, the 17th annual *Drug Store News* Triple A Product Study, performance leaders bask in the spotlight of strong sales, profits and unit movement contributions to drug stores in 1985.

Many have been on the list in years past, but the company of prime performers also includes new products from key manufacturers in a broad range of categories.

Some products that found their way to the pipeline last year made a splash by giving retailers new angles to merchandise and help build categories productivity.

In batteries, for instance, upgraded Duracell and Energizer alkalines delivered more power for the same money, enabling drug store merchants to tell a better value story to customers. And 1986 will be even more exciting: Kodak entered the business with new gold-tipped alkalines and the first long-life lithium batteries for mass distribution. The lithium offerings will be pitched as having twice the life of alkalines at 1½ times the price.

Top 10
General merchandise products by units

1	Kodak CL110-24 VR200
2	Kodak CM 135-24 VR400
3	Kodak VR disc single
4	Kodak CP 135-24 VR100
5	Duracell D-2
6	Kodak VR disc, 2-pack
7	Energizer D-2
8	Duracell AA-4
9	Kodak CL 135-24 VR200
10	Energizer AA-4

With planogram constraints so tight, the ways retailers merchandise batteries this year will be interesting to watch.

In the cough/cold category, newly switched Rx-to-OTC products continued to make news and finish well up in Triple A performance rankings. The latest item to do this is Dimetapp elixir, primarily a pediatric formula that showed well in unit movement, but will probably place higher in next year's study after a full year under its belt on OTC shelves.

Product switches dominate

All other Triple A cough/cold leaders are adult formulations and are dominated by products switched in recent years. They include Drixoral, Sudafed, Actifed, Afrin, Benadryl and Benylin.

There's no sign yet that consumers will waver from their preferences for OTC products that were formerly available by prescription only. The added credibility helps many of these products: Many are familiar names to patients whose doctors have been prescribing them for years.

Continued on page 27

Top 10
H&BA. OTC products by units

1	Fleet enema regular
2	Chap Stick
3	Bic men's disposable razors, 5-pack
4	B&L Sensitive Eyes, 12-oz. saline
5	Nyquil, 6 oz.
6	Robitussin DM, 4 oz.
7	Tylenol extra-strength caps, 50s
8	Visine eye drops, 0.5 oz.
9	Actifed tabs, 12s
10	Mylanta liquid, 12 oz.

Triple A Product Study

Top 100 list features ever-changing product mix

Continued from page 25

New developments in eye and lens care also set the category afire. With the prime market of soft lens wearers nearing saturation, new products with new features and new functions were needed to keep the eye/lens care category from becoming stagnant.

Along came preservative-free solutions and products like Bausch & Lomb's Sensitive Eyes, with less irritating preservatives, that rocked the top performing list.

More recently, retailers have been making shelf space for LENSEPT and AOSEPT hydrogen peroxide lens care regimens, which are heat free and preservative free. They give greater convenience, faster cleaning and disinfecting times, and eliminate risk of eye surface reactions.

New displays planned

Indeed, Revco, Rite Aid and Kerr have replanogrammed the category or are planning new displays to ensure exposure of the hydrogen peroxide-based systems.

Drug Store News compiled the Triple A Product Study by examining calendar 1985 warehouse withdrawal data from major retail drug chains nationwide.

This 17th annual study covers 15 merchandise categories that come under the broad headings of over-the-counter/health & beauty aids and general merchandise assortments.

All charts are based on *Drug Store News* research.

In nutritional supplements, calcium has been the driving force. Consumers have focused on the element as a way to fight osteoporosis. Manufacturers responded by creating many branded offerings that include calcium, and retailers give eye-level displays to what's hot.

Among supplement brands with calcium, Os-Cal fared best in the current Triple A study. If current consumer acceptance is any indication, it will have lots of company in next year's rankings.

Diet aids also grew at a strong pace in 1985, thanks to the continued popularity of such brands as Dexatrim, Acutrim and Slim Fast.

Fiber makes inroads

However, newly popular fiber tablets, such as Fibre Trim, Fiber Full and Fiber All, have made huge inroads so far in 1986. They are getting prime eye-level pegged display space and their fair share of circular advertising space.

They understand that many consumers prefer natural, nonchemical caffeine-free weight control aids. Fiber tablets fit this description, buyers said, and appeal to people who don't want to perceive that they're taking anything medicinal.

For similar reasons, buyers expect bulk laxatives to keep their leadership share in that category. Bulk products such as the new fruity-taste Citrucel act more gently than other laxative forms. They also contain fiber, thought of by many as a natural, desirable item.

Stationery trends

A new approach to schooltime stationery products is responsible for that category's growth in 1985. The strongest trend has been quality and design improvements to notebooks and portfolios, and customers' willingness to pay more for such upgrades.

Such changes as low-drag notebook paper with laser perforations and antiglare characteristics offer more convenience and ease of use. Better theme book bindings, fresh designs and fashion colors help to evolve the image of stationery. All of a sudden, fashion is involved. And now, as in merchandising cars, members of the school-age set who carry certain notebooks are making a statement about themselves.

That is the perfect dovetail of manufacturer innovation and strengthened retailer merchandising efforts. Similar efforts carried throughout the store can only help to build category productivity and focus the spotlight on what will be next year's pacesetters and Triple A marketmakers.

TAKE A BIGGER BITE.

Each Brach's Perkys bar has 60% more candy than Chuckles.*

Ounce for ounce, price for price, Brach's Perkys bar gives your customers 60%* more jelly candy than the leading competitor. It's packaged in six big, delicious pieces and weighs 3½ oz. compared to a 2 oz. Chuckles bar. The best value around the Perkys bar keeps your customers coming back for more. And that's why Perkys are taking a bigger bite out of the candy market every day.

For more information about the Perkys bar and other quality count goods candies, call Brach's Broker Sales Division at 1-800-621-4226. In Illinois 1-800-572-1461.

BRACH'S Perkys JELLY CANDY

BRACH'S

Nobody treats America like Brach's.

Triple A Product Study

Best-selling H&BA/OTC products for 1985:

Unit movement

1. Fleet Enema regular
2. Chap Stick
3. Bic men's disposable razors, 5-pack reg.
4. Bausch & Lomb Sensitive Eyes saline, 12 oz.
5. Nyquil, 6 oz.
6. Robitussin DM, 4 oz.
7. Tylenol extra-strength capsules, 50s
8. Visine eye drops, 0.5 oz. plastic
9. Actifed tabs, 12s
10. Mylanta liquid, 12 oz.
11. Bayer aspirin, 100s
12. Similac w/iron, 32 oz.
13. Isomil concentrate, 13 oz.
14. Drixoral tabs, 10s
15. Similac w/iron concentrate, 13 oz.
16. Oil of Olay, 4 oz.
17. Colgate pump, 4.5 oz. regular
18. Maalox liquid, 12 oz.
19. Actifed tabs, 24s
20. Tylenol extra-strength tabs, 60s
21. Mylanta II liquid, 12 oz.
22. Crest regular, 4.6 oz.
23. Tylenol extra-strength tabs, 30s
24. Alka Seltzer Plus, 20s
25. Tylenol extra-strength caps, 24s
26. Bausch & Lomb Sensitive Eyes saline, 8 oz.
27. Advil tabs, 24s
28. Sudafed tabs 30mg, 24s
29. Colgate gel pump, 4.5 oz.
30. Pepto Bismol, 4 oz.
31. Barbasol bomb, 11 oz. regular
32. Contac capsules, 10s
33. Pepto Bismol, 8 oz.
34. Colgate, 7 oz.
35. Sweet'N Low, 100s
36. Bausch & Lomb saline sol., 12 oz.
37. Pampers large regular, 32s
38. Gillette Atra, 5s
39. Colgate shave bomb, 11 oz. regular
40. Huggies large, 33s
41. Pampers large super, 32s
42. Robitussin DM, 8 oz.
43. Robitussin, 4 oz.
44. Nyquil, 10 oz.
45. Anacin, 100s
46. Maalox Plus liquid, 12 oz.
47. Tylenol extra-strength caplets, 50s
48. Q-tips, 170
49. Crest gel, 4.6 oz.
50. Afrin nasal spray, 0.5 oz.
51. Tylenol tabs, 24s
52. Tylenol extra-strength caplets, 24s
53. Alka Seltzer tabs, 36s
54. Neosporin ointment, 0.5 oz.
55. Robitussin CF, 4 oz.
56. Ex-lax chocolate, 18s
57. Tums assortment, 3-pack
58. Sudafed S.A., 10s
59. Benylin cough syrups, 4 oz.
60. Advil tabs, 50s
61. Correctol tabs, 30s
62. Crest mint, 0.25 oz.
63. Listerine, 18 oz.
64. Alka Seltzer Plus, 36s
65. Massengil vinegar/water douche
66. Tylenol child chew tabs, 30s
67. Slim Fast powder chocolate, 16 oz.
68. Aim, 6.4 oz. family
69. Bausch & Lomb Daily Cleaner, 1.5 oz.
70. Bufferin tabs regular, 100s
71. Rolaids peppermint, 3-pack
72. Visine A.C. eye drops, 0.5 oz.
73. Triaminic syrup, 4 oz.
74. Benadryl 25mg, 24s
75. Centrum tabs, 100+30
76. Maalox Plus, 3-roll pack
77. Unisol 4 saline sol, 8 oz.
78. Os-Cal 500mg tablets, 60s
79. Bayer aspirin, 24s
80. Dimetapp Elixir, 4 oz.
81. Aquafresh pump, 4.6 oz.
82. Anacin-3 max-strength tabs, 30s
83. Baby Fresh wipes, 80s regular
84. Pliagel cleaning sol. 25ml
85. Flex-Care, 12 oz.
86. Os-Cal 250mg tablets, 100s
87. Dexatrim 15-hr. extra-strength, 20s
88. Rolaids Spear, 3-pack
89. Tums assortment, single roll
90. Fixodent economy, 2.5 oz.
91. Aim pump, 4.5 oz. regular
92. Afrin nasal spray, 1 oz.
93. Aim pump, 4.5 oz. mint
94. Kaopectate, 8 oz.
95. Gaviscon tabs, 100s
96. Rolaids, single salt free
97. Doxidan capsules, 10s
98. Acutrim tabs, 40s
99. J & J adhesive tape 1/2 x 60 in.
100. Baby Fresh wipes, 80s unscented

Dollar

1. Tylenol extra-strength capsules, 50s
2. Bausch & Lomb Sensitive Eyes saline, 12 oz.
3. Oil of Olay, 4 oz.
4. Nyquil, 6 oz.
5. Tylenol extra-strength tabs, 60s
6. Actifed tabs, 24s
7. Nyquil, 10 oz.
8. Robitussin DM, 4 oz.
9. Huggies large, 33s
10. Slim Fast powder chocolate, 16 oz.
11. Mylanta liquid, 12 oz.
12. Advil tabs, 50s
13. Centrum tabs, 100+30
14. Tylenol extra-strength tabs, 100s
15. Maalox liquid, 12 oz.
16. Drixoral tabs, 10s
17. Tampax super, 40s
18. Anacin, 100s
19. Bausch & Lomb saline sol., 12 oz.
20. Tylenol extra-strength caplets, 50s
21. Bausch & Lomb Sensitive Eyes saline, 8 oz.
22. Acutrim tabs, 40s
23. Mylanta II Liquid, 12 oz.
24. Tylenol extra-strength capsules, 24s
25. Alka Seltzer Plus, 36s
26. Robitussin DM, 8 oz.
27. Bic men's disposable razors, 5-pack reg.
28. Visine eye drops, 0.5 oz. plastic
29. Gaviscon tabs, 100s
30. Advil tabs, 24s
31. Oscal 500mg tabs, 60
32. Maalox Plus liquid, 12 oz.
33. Contac capsules, 10s
34. Actifed tabs, 12s
35. Alka Seltzer Plus, 20s
36. Pepto Bismol, 8 oz.
37. Sudafed tabs 30mg, 24s
38. Fleet Enema regular
39. Gillette Atra, 5s
40. Oil of Olay, 6 oz.
41. Neosporin ointment, 0.5 oz.
42. Similac w/iron, concentrate 13 oz.
43. Correctol tabs, 30s
44. Baby Fresh wipes, 80s regular
45. Bufferin tabs regular, 100s
46. Bausch & Lomb Daily Cleaner, 1.5 oz.
47. Afrin nasal spray, 1 oz.
48. Dexatrim 15 hr. extra-strength, 20s
49. Colgate pump, 4.5 oz. regular
50. Robitussin CF, 4 oz.

Triple A Product Study

Top 100 movers in units, dollars and profits

sales	Gross margin dollars	
	1. Oil of Olay, 4 oz. **2.** Os-Cal 500mg tablets, 60s **3.** Centrum tabs, 100+30 **4.** Mylanta liquid, 12 oz. **5.** Tylenol extra-strength capsules, 50s	**51.** Tinactin athlete's foot cream,15gm **52.** Ensure Plus, 8 oz. 4-6 pack case **53.** Similac w/iron concentrate,13 oz. **54.** Dexatrim 15-hr. extra-strength, 20s **55.** Equal packets, 100s
51. Tylenol extra-strength caplets,100s **52.** Mennen Speed Stick regular, 2.5 oz. **53.** Compound W, 0.31 oz. **54.** Tinactin athlete's foot cream,15gm **55.** Tylenol tabs, 100s	**6.** Os-Cal 250mg tablets, 100 **7.** Bausch & Lomb Sensitive Eyes saline, 12 oz. **8.** Slim Fast powder chocolate, 16 oz. **9.** Actifed tabs, 24s **10.** Advil tabs, 50s	**56.** Allergan Soflens cleaner tabs, 36s **57.** Mennen Speed Stick regular, 2.5 oz. **58.** Pepto Bismol, 8 oz. **59.** Tears Naturale,15ml **60.** Bausch & Lomb saline sol., 12 oz.
56. Colgate gel pump, 4.5 oz. **57.** Allergan Soflens cleaner tabs, 24s **58.** Unisol 4 saline sol., 8 oz. **59.** Triaminic syrup, 4 oz. **60.** Sudafed S.A., 10s	**11.** Nyquil, 10 oz. **12.** Tylenol extra-strength tabs, 60s **13.** Acutrim tabs, 40s **14.** Flex-Care, 12 oz. **15.** Nyquil, 6 oz.	**61.** Dexatrim extra-strength, 20s **62.** Listerine, 18 oz. **63.** Pepto Bismol, 4 oz. **64.** Tylenol extra-strength caplets, 24s **65.** Soft Mate saline, 12 oz.
61. Equal packets, 100s **62.** Excedrin Tabs, 100s **63.** Colgate, 7 oz. **64.** Tylenol extra-strength caplets, 24s **65.** Pepto Bismol, 4 oz.	**16.** Mylanta II liquid, 12 oz. **17.** Huggies large, 33s **18.** Tylenol extra-strength tabs, 100s **19.** Alka Seltzer Plus, 20s **20.** Tylenol extra-strength caplets, 50s	**66.** Isomil concentrate, 13 oz. **67.** Vidal Sassoon, 12 oz. **68.** Visine A.C. eye drops, 0.5 oz. **69.** Afrin nasal spray, 0.5 oz. **70.** Tylenol child chew tabs, 30s
66. Pliagel cleaning sol., 25ml **67.** Pampers large regular, 32s **68.** Fixodent economy,2.5 oz. **69.** Allergan Soflens cleaner tabs, 36s **70.** Vaseline Intensive Care lotion, 5.5 oz.	**21.** Robitussin DM, 4 oz. **22.** Bayer aspirin, 100s **23.** Alka Seltzer Plus, 36s **24.** Tylenol extra-strength caps, 24s **25.** Pampers large regular, 32s	**71.** Ecotrin tabs 5gr, 100s **72.** Tylenol tabs, 24s **73.** Good News razor, 5-pack **74.** Tums peppermint, 150s **75.** Benzedrex Inhaler
71. Visine A.C. eye drops, 0.5 oz. **72.** Listerine mouthwash, 12 oz. **73.** Tylenol child chew tabs, 30s **74.** Dexatrim extra-strength, 20s **75.** Stayfree maxi pad super, 30s	**26.** Oil of Olay, 6 oz. **27.** Fleet Enema regular **28.** Bausch & Lomb Sensitive eyes saline, 8 oz. **29.** Sudafed tabs 30mg, 24s **30.** Drixoral tabs, 10s	**76.** Anacin-3 max-strength tabs, 30s **77.** Gaviscon tabs, 100s **78.** Opti-Clean hard/soft sol. 20ml **79.** Barbasol bomb, 11 oz. regular **80.** Colgate shave bomb, 11 oz. regular
76. Robitussin, 4 oz. **77.** Vidal Sassoon, 12 oz. **78.** Lady Speed Stick, 1.5 oz. scented **79.** Tears Naturale,15ml **80.** Afrin nasal spray,0.5 oz.	**31.** Bausch & Lomb Daily Cleaner, 1.5 oz. **32.** Robitussin DM, 8 oz. **33.** Pliagel cleaning sol. 25ml **34.** Actifed tabs, 12s **35.** Compound W, 0.31 oz.	**81.** Ex-lax pills, 30s **82.** Robitussin, 4 oz. **83.** Ex-lax chocolate, 18s **84.** Doxidan capsules, 10s **85.** Murine Plus eye drops, 0.5 oz.
81. Tylenol tabs, 24s **82.** Anacin-3 max-strength tabs, 30s **83.** Noxzema skin cream, 10 oz. **84.** Sure & Natural maxishields, 30s **85.** Tums Peppermint, 150s	**36.** Afrin nasal spray,1 oz. **37.** Allergan Soflens cleaner tabs, 24s **38.** Visine eye drops, 0.5 oz. plastic **39.** Unisol 4 saline sol., 8 oz. **40.** Similac w/iron, 32 oz.	**86.** Opti-zyme cleaning tabs, 24s **87.** Lady Speed Stick, 1.5 oz. scented **88.** Bayer aspirin, 24s **89.** K-Y lube jelly, 4 oz. **90.** Tums assorted flavors, 150
86. Maalox liquid, 26 oz. **87.** Barbasol, 11 oz. regular **88.** Ex-lax pills, 30s **89.** Opti-Clean hard/soft sol. 20ml **90.** Kaopectate, 8 oz.	**41.** Advil tabs, 24s **42.** Correctol tabs, 30s **43.** Gillette Atra, 5s **44.** LENSEPT disinfecting sol., 8 oz. **45.** Robitussin CF, 4 oz.	**91.** Murine drops, 0.5 oz. plastic **92.** Robitussin PE, 4 oz. **93.** Dexatrim caffeine-free extra-strength, 20s **94.** Tinactin powder **95.** Tums peppermint, 3-pack
91. Ex-lax chocolate, 18s **92.** Benzedrex Inhaler **93.** Benadryl 25mg, 24s **94.** Tums assorted flavors, 150s **95.** Doxidan capsules, 10s	**46.** Fixodent economy, 2.5 oz. **47.** Pampers large regular, 32s **48.** Bic men's disposable razors, 5-pack reg. **49.** Neosporin ointment,0.5 oz. **50.** Sudafed S.A., 10s	**96.** Kaopectate, 8 oz. **97.** Lady Speed Stick, 1.5 oz. unscented **98.** Sinex long-acting, 0.5 oz. **99.** Freezone corn remover, 0.31 oz. **100.** Alka Seltzer, 36s
96. Ecotrin tabs 5gr, 100s **97.** Murine Plus eye drops, 0.5 oz. **98.** Bayer aspirin, 24s **99.** Metamucil powder, 21 oz. **100.** Os-Cal 250mg tablets, 100s		

Triple A Product Study

Survey reveals top general merchandise:

Unit movement

1. Kodak CL110-24 VR200	**51.** D-Con roach traps, 2-pack
2. Kodak CM 135-24 VR400	**52.** Windex refill, 32 oz.
3. Kodak VR disc, single	**53.** Sylvania Super 10 Flip Flash, 2-pack
4. Kodak CP 135-24 VR100	**54.** Energizer 9V-2
5. Duracell D-2	**55.** Liquid Tide, 64 oz.
6. Kodak VR disc, 2-pack	**56.** GE FlipFlash 2
7. Energizer D-2	**57.** Glad sheer strength 30 gal., 10s
8. Duracell AA-4	**58.** Glad sheer strength 13 gal., 15s
9. Kodak CL135-24 VR200	**59.** Windex sprayer, 22 oz.
10. Energizer AA-4	**60.** Bic Ball Stick pen, black
11. Duracell AA-2	**61.** GE Magicubes
12. Energizer AA-2	**62.** Sylvania Flash Bar
13. Duracell C-2	**63.** Reynolds foil heavy duty
14. Kodak CL110-12	**64.** Bic Ball Stick pen, blue
15. Energizer C-2	**65.** Ivory liquid detergent, 32 oz.
16. Charmin white, 4-pack	**66.** Cheer detergent, 42 oz.
17. Polaroid 600 sun	**67.** GE Flipflash II, twin-pack
18. Reynolds Wrap, 25 ft.	**68.** Kordite leaf bags, 6 bushel
19. Polaroid SX-70 Time Zero	**69.** Bounce fabric softener, 40s
20. Eveready Heavy Duty AA-4	**70.** Elmer's Glue, 4 oz.
21. Duracell Alkaline AAA-2	**71.** Trapper Keeper portfolio
22. Energizer AAA-2	**72.** Puffs assorted facial tissue, 175s
23. Eveready Heavy Duty D-2	**73.** Kleenex Boutique, 100s
24. Kodak CM 110-24 ASA400	**74.** Elmer's Glue, 1.25 oz.
25. Energizer 9V, single	**75.** Scotch Tape, 3/4 x 200 in.
26. Duracell Alkaline 9V-2	**76.** Black Flag Roach Motel
27. Kleenex Pocket Pack, 6-pack of 16s	**77.** Woolite liquid, 16 oz.
28. Kodak CL126-24	**78.** Ziploc sandwich bag, 50s
29. Ivory soap family size	**79.** Sylvania Flash 600 Amiga
30. Kodak CP 135-36 VR100	**80.** Camay 4.75 oz.
31. Eveready Heavy Duty C-2	**81.** Elmer's School Glue
32. Kodak VR CF135-24 ASA1000	**82.** Kiwi black polish
33. Kleenex white, 175s	**83.** Spic and Span pine cleaner, 15 oz.
34. Duracell Alkaline 9V	**84.** Scotch sealing tape, 1½ x 400 in.
35. Eveready transistor 9V-2	**85.** Scotch Tape, ½ x 450 in.
36. Kleenex assorted, 175	**86.** GE Flashbar II, 12s
37. Sylvania Super 10 Flip Flash	**87.** Downy fabric softener, 21.5 oz.
38. Crayola Crayons, 8s	**88.** Hi-Dri paper towels
39. Crayola Crayons, 24s	**89.** Pledge lemon spray, 7 oz.
40. Ivory soft soap, 9 oz.	**90.** Reynolds Wrap economy, 75 ft.
41. Charmin yellow & blue, 4-pack	**91.** Scotch Tape, ½ x 800 in.
42. White Cloud white, 4-pack	**92.** Fab laundry detergent, 20 oz.
43. Kodak CL126-12	**93.** Elmer's School Glue, 1.25 oz.
44. Polaroid 600 Speed, twin-pack	**94.** Wash-N-Dri towelettes, 20s
45. Fantastic spray, 32 oz.	**95.** Kordite kitchen bags 44 qt., 30s
46. Bounty big roll	**96.** Kodak KR135-36 color slides, 64s
47. Designer Bounty big roll	**97.** Kordite trash & grass bags gal., 20s
48. Polaroid SX-70, twin-pack	**98.** Brite for No Wax Floors, 16 oz.
49. Kleenex family, 250s	**99.** Pine Sol liquid cleaner, 28 oz.
50. Sylvania Magicube	**100.** Bold laundry detergent, 49 oz.

Dollar

1. Polaroid 600 Sun
2. Kodak VR disc, 2-pack
3. Kodak CM 135-24 VR400
4. Duracell AA-4
5. Energizer AA-4
6. Kodak CL110-24 VR200
7. Duracell D-2
8. Polaroid 600 Speed, twin-pack
9. Kodak CP 135-24 VR100
10. Energizer D-2
11. Polaroid SX-70, Twin pack
12. Kodak VR disc, single
13. Kodak CL135-24 VR200
14. Kodak CP 135-36 VR100
15. Polaroid SX-70 Time Zero
16. Kodamatic Trimprint color film
17. Kodak Instant Print film PR10
18. Duracell C-2
19. Duracell AA-2
20. Kodak CM 110-24 ASA400
21. Kodak CF135-24 VR1000
22. Energizer C-2
23. Kodak CL110-12 VR200
24. Duracell Alkaline 9V-2
25. Kodak CL126-24
26. Eveready Heavy Duty AA-4
27. Charmin white, 4-pack
28. GE Flip Flash
29. Liquid Tide, 64 oz.
30. Energizer 9V, single
31. Charmin yellow & blue, 4-pack
32. Sylvania Super 10 Flip Flash, 2-pack
33. Scotch VHS T-120
34. Sylvania Super 10 Flip Flash
35. Kleenex white, 175s
36. Bold laundry detergent, 49 oz.
37. Eveready Heavy Duty, D-2
38. Kleenex Family 250s
39. Ivory soap famiiy size
40. Energizer 9V-2
41. Duracell Alkaline AAA-2
42. Energizer AAA-2
43. Fantastic spray, 32 oz.
44. Sylvania Flash Bar
45. Glad sheer strength 30 gal., 10s
46. Kodak Reg VHS T-120
47. D-Con roach traps, 2-pack
48. Kleenex Pocket Pack, 6-pack of 16s
49. Eveready Heavy Duty C-2
50. GE Flashbar

Triple A Product Study

100 hottest items in units, dollars, profits

sales

	51. Crayola Crayons, 24s *52.* Sylvania Magicube *53.* White Cloud white, 4-pack *54.* Duracell Alkaline, 9V *55.* Kleenex Boudoir facial tissues, 100s
	56. Reynolds Wrap, 25 ft. *57.* Kodak CL126-12 *58.* Kodak KR135-36 color slides ASA64 *59.* Cheer detergent, 42 oz. *60.* Final Touch, 64 oz.
	61. Clorox bleach gallon *62.* Palmolive dish detergent, 22 oz. *63.* Ivory liquid detergent, 32 oz. *64.* Puffs assorted facial tissue, 175 *65.* Windex refill, 32 oz.
	66. Downy Fabric Softener, 64 oz. *67.* Windex sprayer, 22 oz. *68.* Fujicolor disc HR 200 double *69.* Spic and Span powder, 16 oz. *70.* Bounty big roll
	71. Designer Bounty big roll *72.* GE Magicube *73.* Scotch Tape ¾ x 200 *74.* Ivory soft soap, 9 oz. *75.* Woolite liquid, 16 oz.
	76. Kordite leaf bags, 6 bushel *77.* Eveready transistor 9V-2 *78.* Downy fabric softener, 21.5 oz. *79.* Bounce fabric softener, 40s *80.* TDK VHS T-120
	81. Reynolds foil heavy duty *82.* Sylvania Flash 600 Amiga *83.* Pine Sol liquid cleaner, 28 oz. *84.* Comet, 14 oz. *85.* Fuji disc film
	86. Kleenex assorted, 175s *87.* Scotch sealing tape, 1½ x 400 in. *88.* Glad sheer strength 13 gal., 15s *89.* Era liquid detergent, 32 oz. *90.* Reynolds Wrap, 75 ft.
	91. Pledge lemon spray, 7 oz. *92.* Fuji CN 135-24 HR100 *93.* Papermate 10-pack pens *94.* Black Flag Roach Motel *95.* Spic and Span pine cleaner, 15 oz.
	96. Raid ant & roach killer, 11 oz. *97.* Cascade dishwasher detergent, 35 oz. *98.* Kordite kitchen bags 44 qt., 30s *99.* Crayola Crayons, 8s *100.* Elmers Glue, 4 oz.

Gross margin dollars

1. Kodak VR disc, 2-pack *2.* Kodak CL110-24 VR200 *3.* Kodak CM 135-24 VR400 *4.* Kodak CP 135-24 VR100 *5.* Duracell AA-4	*51.* White Cloud white, 4-pack *52.* Sylvania Flash 600 Amiga *53.* TDK VHS T-120 *54.* Crayola Crayons, 8s *55.* Kleenex family, 250s
6. Duracell D-2 *7.* Kodak VR disc, single *8.* Duracell C-2 *9.* Energizer AA-4 *10.* Polaroid 600 Sun	*56.* Kordite trash & grass bags gal., 20s *57.* Bounty big roll *58.* Designer Bounty big roll *59.* Kodak CL126-12 *60.* Ivory liquid detergent, 32 oz.
11. Polaroid SX-70 Time Zero *12.* Polaroid 600 Speed, twin-pack *13.* Polaroid SX-70, twin-pack *14.* Kodak Instant Print film PR10 *15.* Kodak CL135-24 VR200	*61.* Downy fabric softener, 21.5 oz. *62.* Reynolds foil heavy duty *63.* Ivory soft soap, 9 oz. *64.* Eveready transistor 9V-2 *65.* Bounce fabric softener, 40s
16. Kodak CP 135-36 VR100 *17.* Energizer D-2 *18.* Kodamatic Trimprint color film *19.* Duracell AA-2 *20.* Energizer C-2	*66.* Fuji disc film *67.* Pine Sol liquid cleaner, 28 oz. *68.* Kordite kitchen bags 44 qt., 30s *69.* Cheer detergent, 42 oz. *70.* Black Flag Roach Motel
21. Kodak CL110-12 VR200 *22.* Kodak CL135-36 VR200 *23.* Duracell Alkaline 9V BP *24.* Eveready Heavy Duty AA-4 *25.* Crayola Crayons, 24s	*71.* Fuji CN 135-24 HR100 *72.* Windex refill, 32 oz. *73.* D-Con roach traps, 2-pack *74.* Scotch sealing tape, 1½ x 400 in. *75.* Kleenex assorted, 175s
26. Kodak VR CF135-24 ASA1000 *27.* Kodak Reg VHC T-120 *28.* Kodak CM 110-24 ASA400 *29.* Energizer AA-2 *30.* Scotch VHS T-120	*76.* Kleenex white, 175s *77.* Woolite liquid, 16 oz. *78.* Reynolds Wrap economy, 75 ft. *79.* Era liquid detergent, 32 oz. *80.* Bold laundry detergent, 49 oz.
31. Sylvania Super 10 Flip Flash *32.* Sylvania Super 10 Flip Flash, 2-pack *33.* Charmin white, 4-pack *34.* Duracell Alkaline AAA-2 *35.* Sylvania Flash Bar	*81.* Fantastic spray, 32 oz. *82.* Pledge lemon spray, 7 oz. *83.* Raid ant & roach killer, 11 oz. *84.* Windex sprayer, 22 oz. *85.* Brite for no wax floors, 16 oz.
36. Eveready Heavy Duty D-2 *37.* Energizer AAA-2 *38.* Sylvania Magicube *39.* Energizer 9V, single *40.* Eveready Heavy Duty C-2	*86.* Scotch Tape, ½ x 800 in. *87.* Elmer's Glue, 4 oz. *88.* Puffs assorted facial tissue, 175s *89.* Cascade dishwasher detergent, 35 oz. *90.* Wash-N-Dri towelettes, 20s
41. Duracell Alkaline 9V-2 *42.* Charmin yellow & blue *43.* Kodak CL126-24 *44.* Energizer 9V-2 *45.* Reynolds Wrap, 25 ft.	*91.* Glad sheer strength 30 gal., 10s *92.* Glass Plus, 32 oz. with trigger *93.* Glad sheer strength 13 gal., 15s *94.* Kleenex Boutique 36/100s *95.* Spic and Span pine cleaner, 15 oz.
46. Kordite leaf bags, 6 bushel *47.* Scotch Tape, ¾ x 600 in. *48.* Fujicolor disc HR200 double *49.* Liquid Tide, 64 oz. *50.* Kodak KR135-36 color slides, 64s	*96.* Ivory soap family size *97.* Fab laundry detergent, 20 oz. *98.* Elmer's School Glue *99.* Scotch Tape, ½ x 450 in. *100.* Kiwi black polish

Triple A Product Study

Batteries get prime spot at checkout counters

Batteries continued their strong Triple A showing in the current study, copping many positions among the top 100 products sold in drug stores.

It's little surprise, given the prime display space many retailers afford batteries. Industry research shows that 71% of merchants sell batteries at checkstands and 60% by photo.

The displays by cameras are often the largest and the closest to a permanent home that batteries have in drug stores.

Many uses

Batteries are tied to so many devices powered by them that retailers display them often by consumer electronics, hardware and toys, to name a few. But more often than not, the batteries that sell best in drug stores are those used to power cameras, flashes and portable audio equipment, which drug stores merchandise.

That is reflected in the Triple A performance rankings, where five of the top six unit movers are nine volt, two are AAA and one is AA, all used often with photo equipment.

Notably, manufacturer research shows that AA accounts for 36% of unit sales nationwide; D, 26%; C, 20%; 9V, 8%; and AAA, 4%, among the most popular cell sizes. The difference in drug store performance must be keyed to the battery-driven product assortment in drug stores.

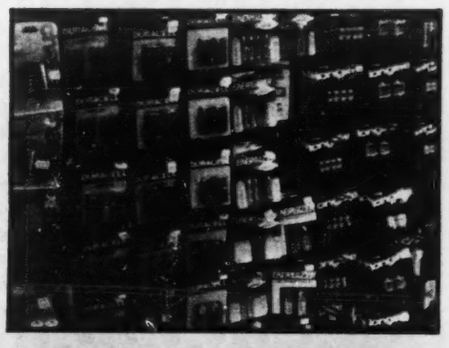
That same research indicates that 19% of consumers who buy batteries purchase them in drug stores, compared with 26% at discounters and 26% at supermarkets.

Alkalines drive sales

Alkalines have helped to drive battery sales growth in drug stores the past year. Battery sales rose 7% to $156 million at drug chains in 1985, approximately 60% of the retail drug industry total.

But 1986 promises some shifts, because Kodak announced its entry into the battery business this spring with a line of alkaline cells and the first mass market long-life lithium cell.

For Kodak, the entry represents needed diversification. For other makers such as Duracell, Energizer and Rayovac, the space squeeze in planograms is bound to get tighter.



Highest volume batteries
(retail dollars)

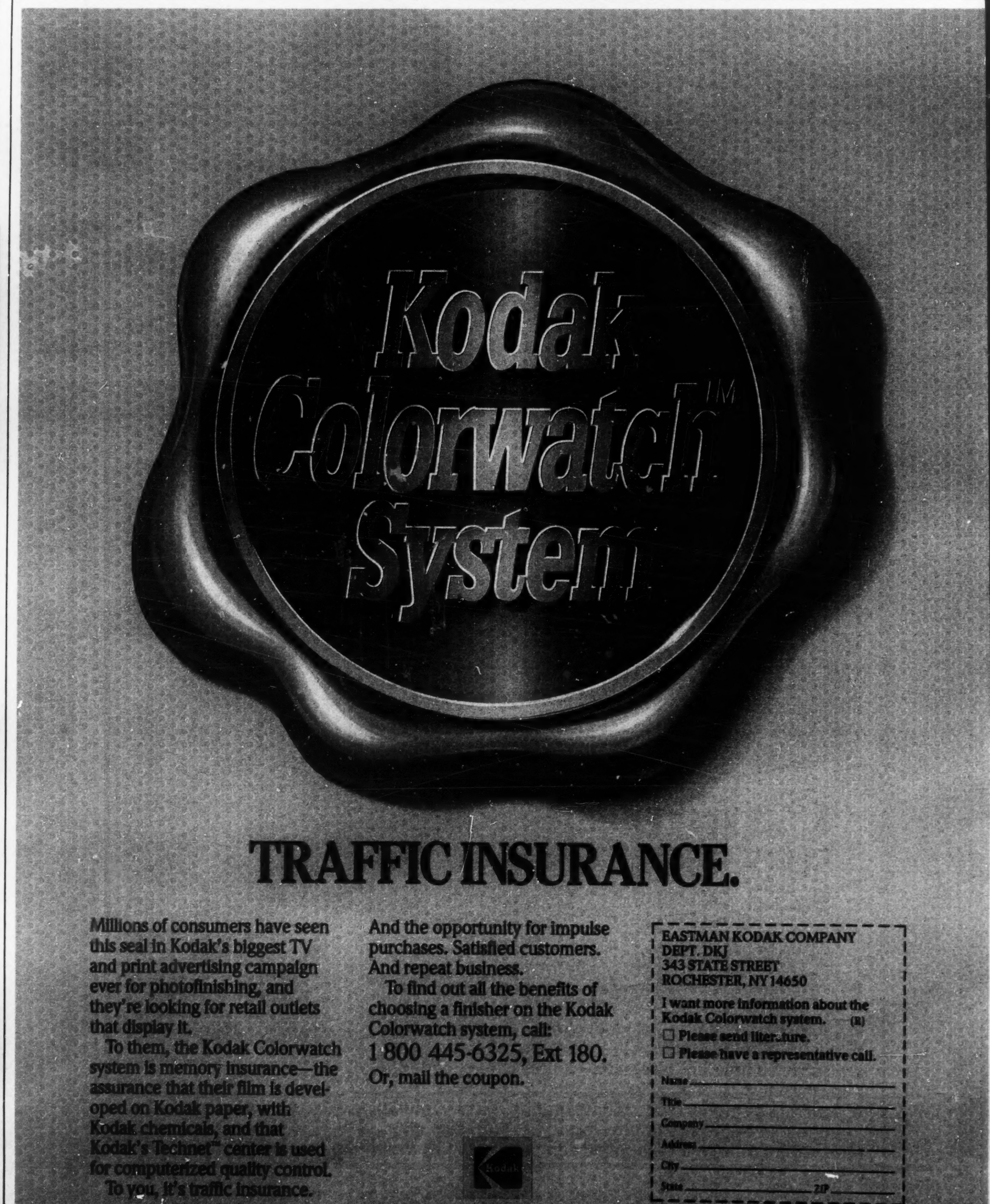
Duracell AA-4
Energizer AA-4
Duracell D-2
Energizer D-2
Duracell C-2
Duracell AA-2
Energizer C-2
Duracell 9V alkaline-2
Eveready Heavy Duty AA-4
Energizer 9V single

Fastest moving batteries
(unit sales)

Energizer 9V-2
Eveready transistor 9V-2
Duracell 9V alkaline
Eveready Heavy Duty C-2
Duracell 9V alkaline-2
Energizer 9V, single
Eveready Heavy Duty D-2
Energizer AAA-2
Duracell AAA alkaline-2
Eveready Heavy Duty AA-4

Most profitable batteries
(gross margin dollars)

Duracell AA-2
Energizer AA-4
Duracell D-2
Energizer D-2
Duracell C-2
Duracell AA-2
Energizer C-2
Duracell 9V alkaline
Eveready Heavy Duty AA-4
Energizer AA-2



TRAFFIC INSURANCE.

Millions of consumers have seen this seal in Kodak's biggest TV and print advertising campaign ever for photofinishing, and they're looking for retail outlets that display it.

To them, the Kodak Colorwatch system is memory insurance—the assurance that their film is developed on Kodak paper, with Kodak chemicals, and that Kodak's Technet™ center is used for computerized quality control.

To you, it's traffic insurance.

And the opportunity for impulse purchases. Satisfied customers. And repeat business.

To find out all the benefits of choosing a finisher on the Kodak Colorwatch system, call:
1 800 445-6325, Ext 180.
Or, mail the coupon.

EASTMAN KODAK COMPANY
DEPT. DKJ
343 STATE STREET
ROCHESTER, NY 14650

I want more information about the Kodak Colorwatch system. (R)
☐ Please send literature.
☐ Please have a representative call.

Name _____
Title _____
Company _____
Address _____
City _____
State _____ ZIP _____

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Triple A Product Study

Public trades up to 35mm cameras; focus is on $70-$150 rangefinders

Consumers continue to shift toward 35mm formats, spurred by the flurry of autofocus, easy-to-use rangefinder cameras in the $70-$150 price range.

Indeed, when consumers were asked recently what type of cameras they plan to buy, 40% said 35mm and 26% said video cameras, according to Photo Marketing Association International.

Disc was named by 11% and instant by 9% in that survey.

Many who named instant are said to be eying the new Polaroid Spectra, whose film is expected to make sales inroads at drug stores nationwide this year.

Meantime, half of the films which earned top Triple A sales performance rankings in this study are 35mm, two are disc and three are instant. All were from Kodak or Polaroid.

A court decision rendered earlier this year drove Kodak from the instant photography business, where drug store merchants estimated it accounted for 30% of volume. So the Kodak instant print film which is 10th in category profits in this study won't appear next time.

What's likely to show well this year, according to buyers, is Kodak's new VR-G 35mm films, which are said to give better saturation and color accuracy than previous formulations.

The new Kodak films are replacing the old. Their introduction was timed to coincide with Kodak's announced reentry into the 35mm camera field after 16 years. Kodak debuted with two models and is adding others to the pipeline soon to compete with established camera brands.

Meantime, more and more drug store merchants are displaying videotapes from such makers as Fuji, TDK, Kodak, Polaroid, JVC, Maxell, Memorex, BASF and Sony in or near their photo departments to capitalize on the current wave of interest in video.

Most profitable films and flashes
(gross margin dollars)

1	Kodak VR disc, 2-pack
2	Kodak CL110-24 VR200
3	Kodak CM135-24 VR400
4	Kodak CP135-24 VR100
5	Kodak VR disc, single
6	Polaroid 600 Sun
7	Polaroid SX-70 Time Zero
8	Polaroid 600 Speed, twinpack
9	Polaroid SX-70, twinpack
10	Kodak instant print film PR10

Highest volume films and flashes
(retail dollars)

1	Polaroid 600 Sun
2	Kodak VR disc, 2-pack
3	Kodak CM135-24 VR400
4	Kodak CL110-24 VR200
5	Polaroid 600 Speed, twinpack
6	Kodak CP135-24 VR100
7	Polaroid SX-70, twinpack
8	Kodak VR disc, single
9	Kodak CL135-24 VR200
10	Kodak CP135-36 VR100

Fastest moving films and flashes
(unit sales)

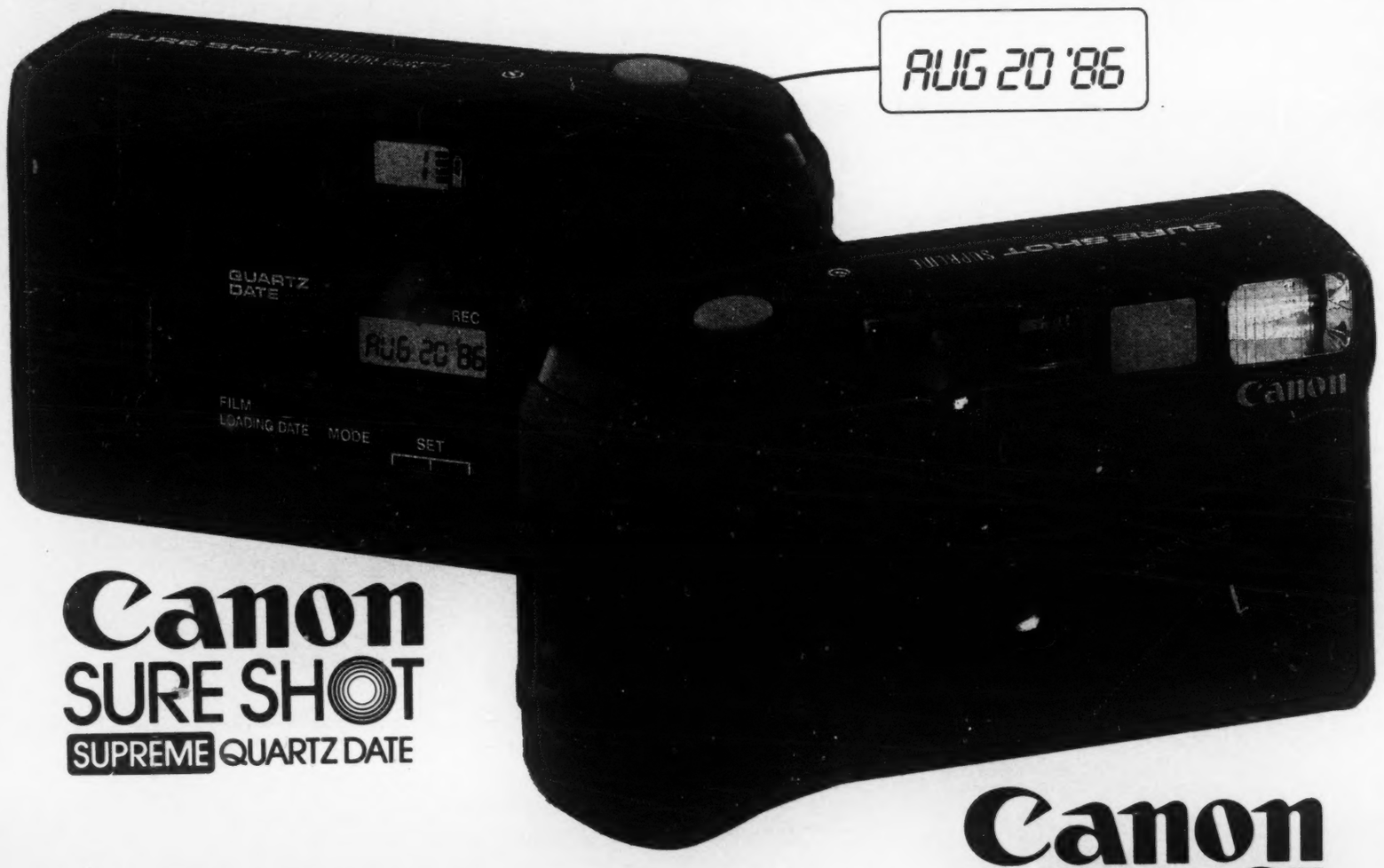
1	Kodak KR135-36 color slides ASA64
2	GE Flashbar II, 12s
3	Sylvania Flash 600 Amiga
4	GE Flipflash II, twinpack
5	Sylvania Flashbar
6	GE Magicubes
7	GE Flipflash II
8	Sylvania Super 10 Flipflash, twinpack
9	Sylvania Magicube
10	Polaroid SX-70, twinpack

NEW SURE SHOT SUPREME

Canon gives you sure sales and sure profits.

Canon introduces the incredible new Sure Shot Supreme—the most automatic Canon ever created! Great Canon features like totally automatic film handling with DX coding from ISO 50 to 1600, auto exposure, auto focus and an incredible new totally automatic flash system make true one-button operation a reality. It's so advanced, every shot's a sure shot!

Like all Canon Sure Shot models, the Sure Shot Supreme will receive hard-hitting advertising support, with new commercials on network TV, local TV in selected markets, full-color print ads in major magazines like *LIFE, NEWSWEEK, GOOD HOUSEKEEPING,* etc., and attractive point-of-sale materials for your stores. You'll get more sure sales, with the Sure Shot Supreme.



Canon SURE SHOT SUPREME QUARTZ DATE

Canon SURE SHOT SUPREME

- Film handling is completely automatic—loading, film advance, rewind at end of roll.
- Automatic DX film speed setting, ISO 50—1600.
- Extended range autofocus—close-ups to 1.8 feet!
- Flash is completely automatic—it fires when needed, even in daylight for fill-flash. Recycles in 1.2 seconds!
- Quartz Date model records date or time directly on film, featuring an alphabetic date mode that prints out months, eg.: JUL, AUG, etc.
- Sure Shot Supreme is supplied complete with fitted carrying case and Lithium battery good for up to five years.

So advanced, every shot's a sure shot!

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Triple A Product Study

Baby care ads, promos build traffic at a price

It's no fairy tale that drug store retailers consider baby needs to be a linchpin department. Appeal to the young mother with fair prices and a broad assortment here, and she'll shop her way through other categories during her visit, the popular philosophy goes.

The birth boomlet has restimulated merchant interest in this strategy, as retailers look to mine this prime customer who must spend to meet many family needs.

It's a good thing baby needs deliver these other benefits besides gross margin, because constant promotions on a few highly identifiable products sap the category's potential profits strength.

Good news and bad news

Consumers who watch ads can get great deals on such items as disposable diapers, formula and baby wipes, which virtually monopolize the Triple A top performance rankings. That's good news and bad news for drug store operators, who get the traffic, but at a price.

Even in Long Island, N.Y., one of the nation's more affluent markets, shoppers have their pick of Rockbottom, Pathmark, Genovese, SupeRx, CVS and Austin, who position much of their ad space around baby-related merchandise. It's common, for instance, to see ads for Luvs, Huggies and Pampers within pennies of each other almost every week.

Pricing pressures are escalating this year, too, because of manufacturer price hikes of 6% to 8% on disposable diapers. Spokesmen for various chains felt they'd be forced to raise prices and hoped competitors wouldn't make diapers into loss leaders.

In Dallas, for instance, Tom Thumb/Page wasn't that lucky. Earlier this year, it had to lower its price on a bag of Huggies diapers to $8.19, for which it paid $9.25, because Albertson's set a discount price policy and charged $6.99 for the same bag.

Overall in 1985, Huggies and Pampers took two of the top four sales performance spots, according to Triple A findings. Similac formula and Baby Fresh wipes commanded the second and third rankings.

Each of these brands also measured up as among the fastest-turning baby needs products in drug stores last year. Q-tips copped the No. 7 unit movement spot, as the only product on the list that wasn't a diaper, formula or wipe.

Fastest moving baby needs products
(unit sales)

1	Similac ready-to-feed with iron, 32 oz.
2	Isomil concentrate, 13 oz.
3	Similac with iron concentrate, 13 oz.
4	Pampers large regular, 32s
5	Huggies large, 33s
6	Pampers large super, 32s
7	Q-tips, 170
8	Baby Fresh wipes, 80s regular
9	Baby Fresh wipes, 80s unscented

Most profitable baby needs products
(gross margin dollars)

1	Huggies large, 33s
2	Pampers large regular, 32s
3	Similac ready-to-feed with iron, 32 oz.
4	Pampers large super, 32s
5	Similac with iron concentrate, 13 oz.
6	Isomil concentrate, 13 oz.

Highest volume baby needs products
(retail dollars)

1	Huggies large, 33s
2	Similac with iron concentrate, 13 oz.
3	Baby Fresh wipes, 80s, regular
4	Pampers large, 32s

New lens care systems impact category sales

Drug store retailers have a good problem in merchandising eye/lens care in 1986: finding space for the newly popular LENSEPT and AOSEPT high-ticket hydrogen peroxide-based systems.

The hydrogen peroxide lens care regimens offer two advantages to consumers: They are heat free and preservative free, for greater convenience and the elimination of the risk of eye surface reactions.

Reactions to solution preservatives have been a common and increasingly vocal concern of consumers, which prompted Bausch & Lomb to introduce Sensitive Eyes last year. It has a different preservative from that in many other saline solutions, to which fewer consumers are sensitive.

Its 12-oz. package zoomed to the top of the Triple A list in this category as the fastest-turning, highest-volume and most profitable product. The 8-oz. package came in third.

That performance reflects several trends common in eye/lens care: Consumers favor the larger, more economical package sizes; they respond to new offerings from the handful of established suppliers; and they seek increased convenience in the solutions they buy.

Moreover, customers remain largely tied to the cleaning and disinfecting systems recommended by their doctors. That limits the private-label opportunity for retailers, but at the same time enables products to carry high tickets and still move well.

Consumers who wear contact lenses daily account for two-thirds of all lens wearers. And many concerned about eye reactions are turning toward preservative-free saline solutions, which now account for 25% of all saline sales.

Market saturating

Retailers will have to rely on new products and merchandising strategies to build the eye/lens care category further, since the prime market of soft lens wearers has begun to saturate.

That is possibly why chains such as Revco, Rite Aid and Kerr have recently replanogrammed or are planning new displays to ensure exposure of the new hydrogen peroxide-based systems.

Most profitable eye care products
(gross margin dollars)

1	B&L Sensitive Eyes saline, 12 oz.
2	Flex-Care, 12 oz.
3	B&L Sensitive Eyes saline, 8 oz.
4	B&L Daily Cleaner, 1.5 oz.
5	Pliagel cleaning solution 25ml
6	Allergan Soflens cleaner tabs, 24s
7	Visine eye drops, 0.5 oz. plastic
8	Unisol 4 saline, 8 oz.
9	LENSEPT disinfecting solution, 8 oz.
10	Soflens cleaner tabs, 36s

Highest volume eye care
(retail dollars)

1	B&L Sensitive Eyes saline, 12 oz.
2	B&L saline, 12 oz.
3	B&L Sensitive Eyes saline, 8 oz.
4	Visine eye drops, 0.5 oz. plastic
5	B&L Daily Cleaner, 1.5 oz.
6	Allergan Soflens cleaner tabs, 24s
7	Unisol 4 saline, 8 oz.
8	Pliagel cleaning solution 25ml
9	Soflens cleaner tabs, 36s
10	Visine AC eye drops, 0.5 oz.

Fastest moving eye care products
(unit sales)

1	B&L Sensitive Eyes saline, 12 oz.
2	Visine eye drops, 0.5 oz. plastic
3	B&L Sensitive Eyes saline, 8 oz.
4	B&L saline, 12 oz.
5	B&L Daily Cleaner, 1.5 oz.
6	Visine AC eye drops, 0.5 oz.
7	Unisol 4 saline, 8 oz.
8	Pliagel cleaning solution 25ml
9	Flex-Care, 12 oz.

Triple A Product Study

Shoppers consider need for vitamin supplements

Many drug store retailers have turned vitamins/supplements into private-label heaven, devoting prime shelf space to high-margin store brands and less footage to the brands that built the demand.

This key category has also come under question lately as Americans pause to consider whether they need all the nutritional aids they were so fast to buy in years past.

It's been known for a long time that megadoses and other unsupervised abuses of fat-soluble vitamins A and D could cause medical problems. But this is the first time the public at large is questioning why they have been plunking so much down at the register to buy vitamins/supplements.

Positioned near pharmacy

Drug store retailers recognize the lack of in-depth consumer knowledge about the category, so they place vitamins/supplements near pharmacy, where people can ask questions. And, of course, the category gains credibility.

The positioning apparently hasn't benefited individual sku's that much, buyers said. Consumers still opt mostly for the shotgun approach to nutritional aids: Buy a multivitamin and feel confident you'll get what you need.

Calcium is hot

In supplements, calcium is hot, and displays show it. At a Sav-On near Los Angeles, for instance, calcium is an ingredient in nearly every supplement product across the eye-level row in an 8-ft. display. That included Os-Cal, Posture and Calcimax.

On the next highest row were products containing niacin, zinc and iron.

The value of calcium for aging women to help fight osteoporosis has been well publicized and has contributed to the birth of new products and sales growth in the category.

Only a few vitamin/supplement brands made it to the Triple A top-brand rankings based on 1985 performance. Only Centrum, Os-Cal and Ensure Plus achieved the status, with the latter being more of a nutritional restorer for people who can't eat food.

Most profitable vitamins/supplements
(gross margin dollars)

1	Ensure Plus, case of four 8 oz. 6-packs
2	Os-Cal 500mg tabs, 60s
3	Centrum tabs, 100+30
4	Os-Cal 250mg tabs, 100s

Highest volume vitamins/supplements
(retail dollars)

1	Centrum tabs, 100+30
2	Os-Cal 500mg tabs, 60s
3	Os-Cal 250mg tabs, 100s

Fastest moving vitamins/supplements
(unit sales)

1	Centrum tabs, 100+30
2	Os-Cal 500mg tabs, 60s
3	Os-Cal 250mg tabs, 100s

Working moms 'clean up' household category

The household/cleaning/paper category has two trends going for it: more messy kids and harried moms thanks to the swelled birth rate of recent years, and more women in the workforce.

The former leads to more sales of paper towels, detergents and cleaning supplies to erase trails left by toddlers. The latter means more disposable dollars and a consumer inclination to spend more for products they feel work best.

On the downside, two-income couples can sometimes afford to hire commercial cleaning services, which could cut into demand for these products.

The category registered a modest 6% dollar sales gain in drug stores last year, beating inflation, but not by much. It seems unit sales gains have been offset by constant promotions of some of the most popular products.

The diversity of products on the top 10 sales producers reflects the broad-based strength of the category. Toilet papers, detergents, hand soaps, spray cleaners, trash bags, insect traps and foil all share the leadership spotlight.

One of the bright spots here was quick acceptance by consumers of liquid detergents, which some women prefer because they mix quickly and easily in cold, warm and hot water. They say powders sometimes cake up in cold water.

Liquid Tide, for instance, leaped into the No. 2 sales position, according to AAA movement data in 1985. The product also landed as the fifth most profitable in the category.

That typifies the story in this category. Shoppers especially value convenience when buying these types of products. If they find it, it's unlikely they'll give it up. That's why many of these same sku's remain among the strongest AAA performers from study to study each year. Among them are Charmin 4-packs, Ivory soap, Fantastic sprayer and Reynolds aluminum foil.

Most profitable household chemicals/cleaning supplies
(gross margin dollars)

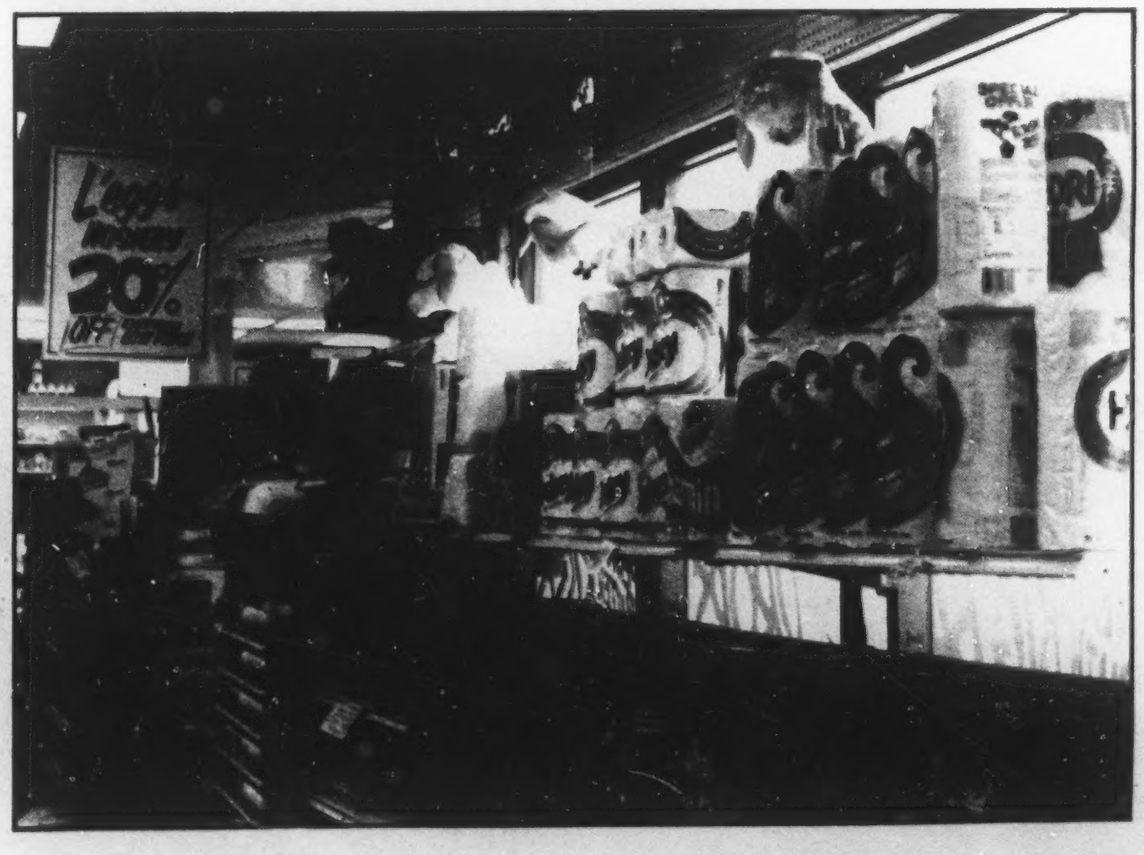
1	Charmin white, 4-pack
2	Charmin yellow and blue, 4-pack
3	Reynolds Wrap, 25 ft.
4	Kordite leaf bags, 6 bushel
5	Liquid Tide, 64 oz.
6	White Cloud white, 4-pack
7	Kordite trash and grass bags, 20s
8	Bounty big roll
9	Designer Bounty big roll
10	Ivory liquid detergent, 32 oz.

Highest volume household chemicals/cleaning supplies
(retail dollars)

1	Charmin white, 4-pack
2	Liquid Tide, 64 oz.
3	Charmin yellow and blue, 4-pack
4	Bold detergent, 49 oz.
5	Ivory soap family size
6	Fantastic, 32 oz.
7	Glad sheer strength 30-gal. bags, 10s
8	D-Con roach traps, 2-pack
9	White Cloud white, 4-pack
10	Reynolds Wrap 25 ft.

Fastest moving household chemicals/cleaning supplies
(unit sales)

1	Bold detergent, 49 oz.
2	Pine Sol, 28 oz.
3	Brite for No-Wax Floors, 16 oz.
4	Kordite trash and grass bags, 20s
5	Kordite 44-qt. kitchen bags, 30s
6	Wash-N-Dri towelettes, 20s
7	Fab detergent, 20 oz.
8	Reynolds Wrap, 75 ft.
9	Pledge lemon, 7 oz.
10	Hi-Dri paper towels



Triple A Product Study

Stationery upgrades highlight '85 best-sellers

The explosion in home offices hasn't been fully felt yet in stationery merchandising at drug stores.

Space constraints and generally narrow assortments have, so far, kept drug stores from being a primary source for such items. Efforts to expand the department's appeal to home-based professionals have begun at many chains, but specialty stores and commercial suppliers have the image and the edge in space, assortments and ability to service. Moreover, discounters and mass merchants compete on price and make this a tough area for drug stores to grow.

Computer accessories is one category where drug stores experimented and largely backed away. Buyers said they couldn't expect to gain recognition selling these products because they aren't in the computer business at all.

Gresham Drugs has been a notable exception, however, for several reasons. A front-end manager knows that business and helps in buying, steady promotions undercut nearby Radio Shacks and Computer Land stores,and most of the chain's stores are in a college town.

Still, it's no surprise that the top AAA performance rankings show no home office supplies. Attempts to expand that business are recent and scattered, but may become evident in next year's rankings.

The strongest trends in stationery benefiting drug stores are manufacturer quality and design improvements to notebooks and portfolios, and customers' willingness to pay more for such upgrades. Improvements include low-drag notebook paper with laser perforations and antiglare characteristics, better theme book bindings,and high-tech designs with such colors as purples and pastels.

Buyers sense a trend away from licensed products to modern art-type portfolios.

Chains are also finding that the back-to-school category is becoming profitable year-round, with off-season periods often the best time to generate profits, when products sell at higher prices.

Manufacturers are taking the lead in trying to develop nonseasonal demand, but other factors also contribute. These include students with more disposable income, more home office workers and curiosity about new products.

These trends bode well for stationery performance in drug stores. But the AAA performance rankings reflect schoolday basics.

Crayons, tape, pens and glue dominate the highest volume and profits lists. All are products that fuel a strong replacement business and lend themselves to year-round merchandising.

The fourth-leading volume producer, Papermate pens 10-pack, reflects steps taken by manufacturers to raise counts in multipacks to add impetus to sales.

Overall, pen and pencil sales are becoming more year-round products, in large part because manufacturer promotions generate interest.

Fastest moving stationery products
(unit sales)

1	Elmer's glue, 1¼ oz.
2	Scotch Tape, ½ x 800
3	Scotch Tape, ½ x 450
4	Scotch sealing tape, 1½ x 400
5	Elmer's school glue
6	Scotch Tape, ¾ x 200
7	Elmer's glue, 1¼ oz.
8	Trapper keeper portfolio
9	Elmer's glue, 4 oz.
0	Bic ball stick pen blue

Most profitable stationery products
(gross margin dollars)

1	Crayola crayons, 24s
2	Scotch Tape, ¾ x 600
3	Crayola crayons, 8s
4	Scotch sealing tape, 1½ x 400
5	Scotch Tape, ½ x 800
6	Elmer's glue, 4 oz.
7	Elmer's school glue
8	Scotch Tape, ½ x 450

Highest volume stationery products
(retail dollars)

1	Crayola crayons, 24s
2	Scotch Tape, ¾ x 200
3	Scotch sealing tape, 1½ x 400
4	Papermate pens, 10-pack
5	Crayola crayons, 8s
6	Elmer's glue, 4 oz.

Bulk brands and fruity flavor add to laxative sales

Prospects for laxatives are strong, given the popularity of new bulk brands and fruity taste that makes swallowing laxatives more pleasant.

Even before Citrucel and similar products reached drug store shelves late last year, bulk had grown to a 36% share of the nation's $525 million retail laxative market. Drug chains alone accounted for $262 million of that, on a 1985 sales gain of 14%.

Consumers have found that generally, bulk laxatives act more gently than other forms. Both the pleasantness and ease of use are important to the primary group of laxative users, men and women older than 50.

However, price is also a major consideration in merchandising laxatives, because many in this target market are on fixed incomes and buy what's on promotion—rather than stay loyal to a brand they like. Metamucil gained its Triple A No. 6 top-volume ranking by playing to this strategy, being placed on deal often, buyers said.

According to manufacturer estimates, stimulants such as Correctol, Ex-lax and Doxidan make up the second largest laxative category at 31%. Softeners account for 17%, enemas 13% and emollients 3%.

Still, drug store buyers predict bulk will keep its leadership share because of increased awareness of fiber's importance in the diet.

Meantime, chemicals account for four of the top six Triple A top-volume spots in the category, reflecting 1985 sales.

Fleet enema swept the field, however, coming in first as the most profitable, fastest-selling and highest-turning laxative in drug chains in 1985.

Highest volume laxatives
(retail dollars)

1	Fleet Enema regular
2	Correctol tabs, 30s
3	Ex-lax pills, 30s
4	Ex-lax chocolate, 18s
5	Doxidan capsules, 10s
6	Metamucil powder, 21 oz.

Most profitable laxatives
(gross retail dollars)

1	Fleet Enema regular
2	Correctol tabs, 30s
3	Ex-lax pills, 30s
4	Ex-lax chocolate, 18s
5	Doxidan capsules, 10s

Fastest-moving laxatives
(unit sales)

1	Fleet Enema regular
2	Ex-lax chocolate, 18s
3	Correctol tabs, 30s
4	Doxidan capsules, 10s

Triple A Product Study

Diet aids popularity tips sales 14% higher in '85

Americans' desire to be thin has helped to fatten the pockets of drug stores nationwide, which enjoy brisk sales of diet aids.

Since diet aids grew 14% in 1985 to $103 million at drug chains—about 60% of the drug store total—the category's leading products experienced a shift.

Fiber products, such as Fibre Trim and Fiber Full, have attracted consumers who in recent years have bought Slim Fast and Dexatrim most often. As a result, next year's Triple A top product rankings might show some added listings.

Most profitable diet aids
(gross margin dollars)

1. Slim Fast powder, 16-oz. chocolate
2. Acutrim tabs, 40s
3. Dexatrim 15-hour extra-strength, 20s
4. Equal packets, 100s
5. Dexatrim extra-strength, 20s
6. Dexatrim caffeine-free extra-strength, 20s

Fastest moving diet aids
(unit sales)

1. Sweet 'N Low, 100s
2. Slim Fast powder, 16-oz. chocolate
3. Dexatrim 15-hour extra-strength, 20s
4. Acutrim tabs, 40s

Highest volume diet aids
(retail dollars)

1. Slim Fast powder, 16-oz. chocolate
2. Acutrim tabs, 40s
3. Dexatrim 15-hour extra-strength, 20s
4. Equal packets, 100s
5. Dexatrim extra-strength, 20s

Fiber's potential

The ways consumers control their diets seem to vary, according to popular trend, but fiber is nonchemical, exists naturally and is bound to capture a segment of the weight-conscious populace.

Slim Fast has a slightly different appeal. It's a flavored powder people mix with liquids and is perceived more as a supplement than are other diet aids in capsule form.

However, Dexatrim and Acutrim have loyal followings, drug store sources said. The brands have withstood criticism by consumer groups who believe that phenylpropanolamine (PPA), their active ingredient, causes hyperactivity and other side effects. The Food and Drug Administration has said low dosages pose no danger.

And the brands continue to capture eye-level display space. At a Sav-On in the Los Angeles area, for instance, Dexatrim, Acutrim and Acutrim II share prime pegged displays with Fibre Trim and water pills across 8 ft. near the pharmacy.

Slim Fast, another top Triple A brand, was displayed in 12-bar packs and 16-oz. powder containers on shelves below.

Manufacturers have sought to give consumers greater convenience in using diet aids as part of their weight control programs. The 15-hour strength capsules by Dexatrim result in once-a-day use and relieve people from having to think about it all day long. The newly popular fiber tablets, on the other hand, need to be taken several times daily.

The continued prominence of such products as Equal and Sweet 'N Low shows that many people try to curb their appetites using products made with artificial sweeteners.

Equal has also withstood public questioning about the effects of aspartame

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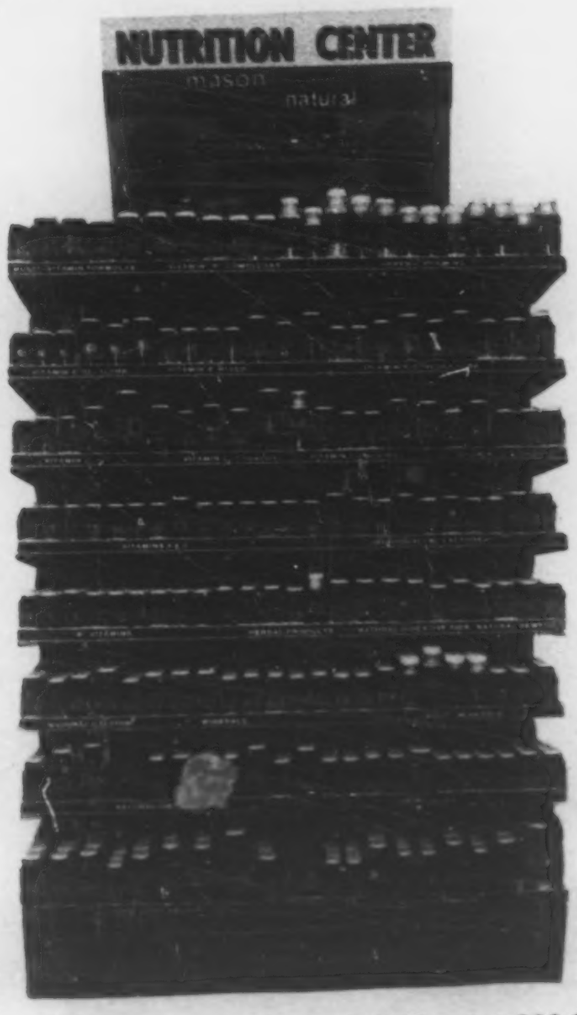

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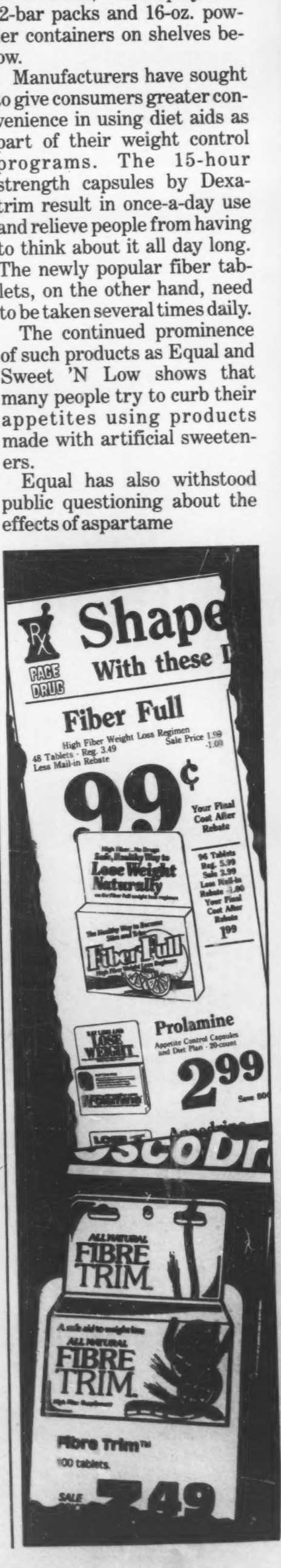

Triple A Product Study

OTC switches power cough/cold performance

Consumers steadily rush to use OTC drugs that had formerly been available only on prescription.

Switched drugs are so popular that proprietaries has been one of the fastest growing categories in dollar sales, profits and unit movement. Cough/cold sales in 1985 climbed 13% last year to $609 million at drug chains.

Switched drugs led the charge, according to Triple A performance rankings. Four out of the top seven cough/cold leaders in unit movement are former prescription products: Drixoral, Sudafed and two Actifed sku's.

The popularity of switched drugs doesn't guarantee sure winners, however. Merchandising efforts count heavily too. As an example, Benylin cough syrup, while copping the 15th spot in category unit movement, hasn't yet been able to unseat Robitussin, which is well entrenched and heavily advertised.

Robitussin, in fact, commands four of the top 16 cough/cold sales positions. The brand's strong showing underscores a trend in the type of products consumers favor.

They seem to prefer combination products, such as a decongestant and expectorant in the same product. Alka Seltzer Plus, No. 6 in category sales, is another example: it's a combination aspirin and antacid product.

Benadryl, another switched product that is primarily for allergies, is also used by many to treat colds.

Sprays for the most part haven't rated highly in the Triple A studies, except for Afrin, which is a long-acting former Rx-only product.

Afrin's popularity reflects another consumer purchase trend in cough/cold: people want convenient, long-acting products they don't have to take every few hours.

That was one of the attractions of Contac capsules, which has long been in the company of Triple A leaders. Current Triple A findings were concluded before tampering incidents, which prompted SmithKline Beckman to withdraw it. The manufacturer announced later it will reintroduce Contac in a new tightly sealed capsule with new package and seals this summer.

Virtually all the cough/cold leaders are adult products, except for recently swiched Dimetapp elixir, primarily a pediatric formula, which is No. 19 in category unit movement, but will probably place higher in next year's study with a full year under its belt on OTC shelves.

Most profitable cough cold products
(gross margin dollars)

1	Actifed tabs, 24s
2	Nyquil, 10 oz.
3	Nyquil, 6 oz.
4	Alka Seltzer Plus, 20s
5	Robitussin DM, 4 oz.
6	Alka Seltzer Plus, 36s
7	Sudafed tabs 30mg, 24s
8	Drixoral tabs, 10s
9	Robitussin DM, 8 oz.
10	Actifed tabs, 12s
11	Afrin nasal spray, 1 oz.
12	Robitussin CF, 4 oz.
13	Sudafed S.A., 10s
14	Afrin nasal spray, 0.5 oz.
15	Benzedrex inhaler
16	Robitussin, 4 oz.
17	Robitussin PE, 4 oz.
18	Sinex long-acting, 0.5 oz.

Fastest moving cough cold products
(unit sales)

1	Nyquil, 6 oz.
2	Robitussin DM, 4 oz.
3	Actifed tabs, 12s
4	Drixoral tabs, 10s
5	Actifed tabs, 24s
6	Alka Seltzer Plus, 20s
7	Sudafed tabs 30mg, 24s
8	Contac capsules, 10s
9	Robitussin DM, 8 oz.
10	Robitussin, 4 oz.
11	Nyquil, 10 oz.
12	Afrin nasal spray, 0.5 oz.
13	Robitussin CF, 4 oz.
14	Sudafed S.A., 10s
15	Benylin cough syrup, 4 oz.
16	Alka Seltzer Plus, 36s
17	Triaminic syrup, 4 oz.
18	Benadryl 25mg, 24s
19	Dimetapp elixir, 4 oz.
20	Afrin nasal spray, 1 oz.

Highest volume cough cold products
(retail dollars)

1	Nyquil, 6 oz.
2	Actifed tabs, 24s
3	Nyquil, 10 oz.
4	Robitussin DM, 4 oz.
5	Drixoral tabs, 10s
6	Alka Seltzer Plus, 36s
7	Robitussin DM, 8 oz.
8	Contac capsules, 10s
9	Actifed tabs, 12s
10	Alka Seltzer Plus, 20s
11	Sudafed tabs 30mg, 24s
12	Afrin nasal spray, 1 oz.
13	Robitussin CF, 4 oz.
14	Triaminic syrup, 4 oz.
15	Sudafed S.A., 10s
16	Robitussin, 4 oz.
17	Afrin nasal spray, 0.5 oz.
18	Benzedrex inhaler
19	Benadryl 25mg, 24s

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Triple A Product Study

Retailers revamp analgesics, ibuprofen gains

If you've just gotten a headache, chances are you're a retailer who has to remerchandise analgesics in the wake of this year's tampering incidents.

The category is under siege because isolated tamperings have prompted some major manufacturers to recall products, while shaking the faith of consumers in buying OTC capsule medications.

In a new *Drug Store News* survey (see *Inside Pharmacy* this issue), 44% of consumers polled said they'd prefer to buy capsule medications from behind the pharmacy counter. They'd apparently be willing to pay more for the feelings of extra security and control. Another 38% said capsules should be banned.

The early rush to fill the void left by branded hard two-piece capsules has so far been led by caplets and tablets. In addition, retailers such as Giant, Eckerd, Page and Begley gave their comparable private-label analgesics a bigger chunk of shelf space.

Where analgesics formats will settle down is still in question. What seems clearer is that the category's growth trend will remain among the highest in proprietaries.

In 1985, the same period in which AAA product movement was measured, analgesics sales in drug chains rose 14.2% to $416 million. The chains grabbed an approximate 25% share of the nation's $1.6 billion OTC analgesic market.

According to estimates by David Saks, analyst at Morgan Olmstead, Kennedy & Gardner, that breaks out as follows: aspirin 55%, Tylenol 33%, all other acetaminophen 7% and ibuprofen 5%.

Perhaps the biggest product news last year was the switching of ibuprofen from Rx to OTC status. It was formerly available only as Motrin and Rufen by prescription.

Whitehall's Advil copped two of the top eight positions in AAA measurements, based on retail dollar sales. Bristol-Myers' Nuprin didn't score as highly, probably because of its later introduction, industry sources said. They believe this year's rankings should show a significant climb.

Advil tabs, 50 count, was rated No. 3 in AAA data, and Advil tabs, 24 count, scored eighth highest in retail dollar sales.

Tylenol, Anacin and Bufferin completed the top 10 in analgesics retail dollar sales.

Tylenol had six of those positions, including the top two.

According to AAA findings, capsules, caplets and tablets each held two of Tylenol's six high rankings among the top 10 analgesics sales producers in 1985. That could mean less of a disruption to Tylenol business than retailers might have thought.

There was widespread consistency among the analgesics showing up on the highest-volume, fastest-moving and most-profitable top 10 rankings.

Fastest-moving analgesics
(unit sales)

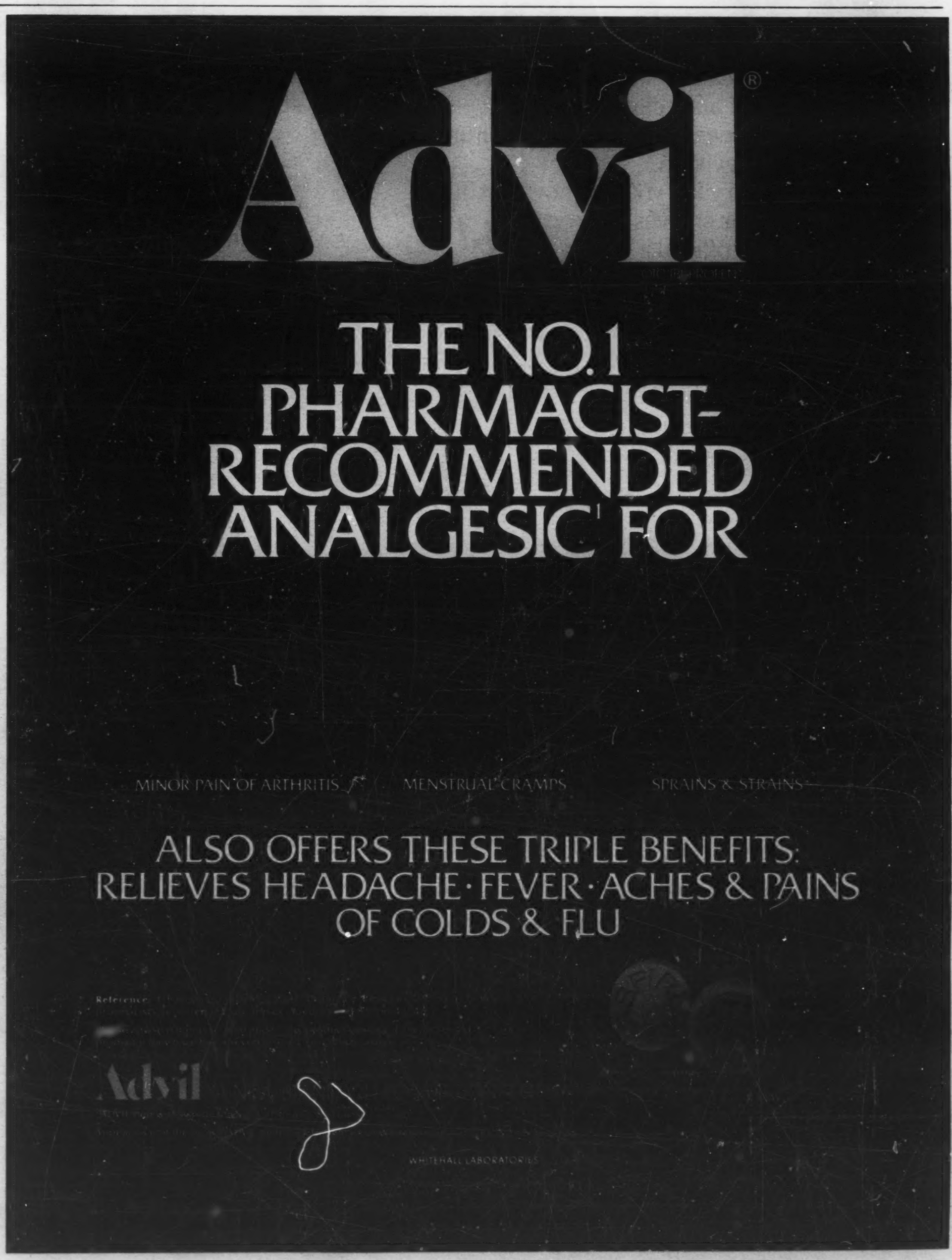
1	Tylenol extra-strength capsules, 50s
2	Bayer aspirins, 100s
3	Tylenol extra-strength tabs, 60s
4	Tylenol extra-strength tabs, 30s
5	Tylenol extra-strength capsules, 24s
6	Advil tabs, 24s
7	Anacin, 100s
8	Tylenol extra-strength caplets, 50s
9	Tylenol tabs, 24s
10	Tylenol extra-strength caplets, 24s

Highest volume analgesics
(retail dollars)

1	Tylenol extra-strength capsules, 50s
2	Tylenol extra-strength tabs, 60s
3	Advil tabs, 50s
4	Tylenol extra-strength tabs, 100s
5	Anacin, 100s
6	Tylenol extra-strength caplets, 50s
7	Tylenol extra-strength capsules, 24s
8	Advil tabs, 24s
9	Bufferin tabs regular, 100s
10	Tylenol extra-strength caplets, 100s

Most profitable analgesics
(gross margin dollars)

1	Tylenol extra-strength capsules, 50s
2	Advil tabs, 50s
3	Tylenol extra-strength tabs, 60s
4	Tylenol extra-strength tabs, 100s
5	Tylenol extra-strength caplets, 50s
6	Bayer aspirin, 100s
7	Tylenol extra-strength capsules, 24s
8	Advil tabs, 24s
9	Tylenol extra-strength caplets, 24s
10	Tylenol child chewable tabs, 30s



Triple A Product Study

Calcium promotion shakes up 'normally quiet' antacid biz

Calcium additives have created the biggest rumble in antacids this past year.

The normally quiet antacid category has made some noise lately, with manufacturers promoting their products as inexpensive sources of calcium. Antacids have picked up business because doctors recommend brands with calcium to women as a diet ingredient to help prevent osteoporosis.

Drug stores have benefited most from this activity because they hold a commanding share of retail sales in the category. According to A. C. Nielsen, drug stores account for 50% of antacid sales nationwide, compared with 41% at food stores and 9% at mass merchants.

Moreover, sales of antacids at drug chains, which generate about 60% of drug store volume, rose 12% in 1985 to $241 million.

Other trends

Other trends that have contributed to antacid growth have been the added convenience of roll packs and the stepped-up use and promotions of private labels by some retailers.

By adding pocket-sized roll packs to their offerings, some manufacturers have made antacids a faster-turning, higher-impulse, viable checkstand item.

Much of this activity took place, however, after Triple A measurements were well under way, so shifts in product rankings won't show until next year's study.

Drug store merchants, already responding to these trends, have still another to gauge in 1986: the demand for products that control ulcers while combating acid discomfort, particularly in markets populated by many elderly.

Top slots

Despite these trends, Mylanta and Maalox brands continued to show strongly, locking in four of the top five retail sales spots in the category.

Highest volume antacids
(retail dollars)

1	Mylanta liquid, 12 oz.
2	Maalox liquid, 12 oz.
3	Mylanta II liquid, 12 oz.
4	Gaviscon tabs, 100
5	Maalox Plus liquid, 12 oz.
6	Pepto Bismol, 8 oz.
7	Pepto Bismol, 4 oz.
8	Tums peppermint, 150
9	Maalox liquid, 26 oz.
10	Kaopectate, 8 oz.

Most profitable antacids
(gross margin dollars)

1	Mylanta liquid, 12 oz.
2	Alka Seltzer foil, 36s
3	Mylanta II liquid, 12 oz.
4	Pepto Bismol, 8 oz.
5	Pepto Bismol, 4 oz.
6	Tums peppermint, 150
7	Gaviscon tabs, 100
8	Tums assorted flavors, 150
9	Tums peppermint, 3-pack
10	Kaopectate, 8 oz.

Fastest moving antacids
(unit sales)

1	Mylanta liquid, 12 oz.
2	Maalox liquid, 12 oz.
3	Mylanta II liquid, 12 oz.
4	Pepto Bismol, 4 oz.
5	Pepto Bismol, 8 oz.
6	Maalox Plus liquid, 12 oz.
7	Alka Seltzer tabs, 36s
8	Tums assorted, 3-pack
9	Rolaids peppermint, 3-pack
10	Maalox Plus, 3-roll pack

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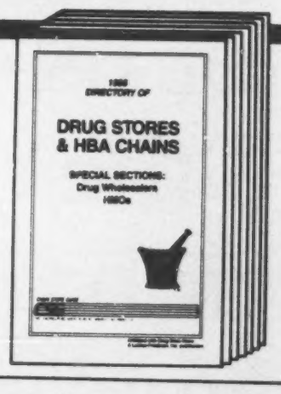

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Survey: Confidence in capsules sinks

EXCLUSIVE REPORT

By Dave Vaczek

NEW YORK — Consumers' confidence in the safety of capsule medicine sold over the counter has sharply waned, a survey by *Drug Store News* suggests.

Over 80% of persons surveyed supported restricting or banning OTC capsule sales, in the aftermath of two deaths from ingestion of cyanide-contaminated capsules in Washington state.

Almost half the respondents who indicated they use capsules said their fears about capsule medications had increased during the month preceding the telephone survey, which was conducted June 20 to 22.

What should be done

Of 1,000 adults polled, 378, or 37.8%, said they favored banning capsules, in response to a question asking what should be done to prevent future occurrences of capsule tampering. In addition, 438, or 43.8%, said they favored requiring OTC capsule sales through a pharmacist.

Asked whether fears about capsule medications had increased in the last month, 28.3%, or 49% of those who said they take capsule medications, said their fears had increased. Forty-one per cent of respondents said they didn't take capsules.

Of the total, 16% said their fears hadn't increased. A minority of 13.9% said they have no fear of taking capsules.

The results suggest that the series of capsule tampering incidents this year, and the subsequent response by three major vendors of discontinuing capsule products, have shaken consumers' confidence in capsule form.

Deaths in Washington

The deaths on June 5 and 11 of a man and a woman in Auburn, Wash., stemming from ingestion of cyanide-laced Extra-Strength Excedrin, were the fourth and fifth deaths resulting from contaminated capsules this year. Three of the five deaths, including the Feb. 8 death of a Yonkers woman who ingested contaminated Extra-Strength Tylenol, stemmed from tampering, authorities said.

Since the survey, officials announced on June 25 that a fluoroscope examination in a random sweep of store shelves in Auburn revealed that a package of Whitehall's Anacin 3 "may have been contaminated with cyanide." Johnson and Johnson, Bristol-Myers and SmithKline Beckman have each discontinued all capsule products this year after tampering incidents.

The survey showed that women—who are the most frequent purchasers of capsule medications by a wide margin—are most likely to say capsules should be banned. Of the 526 women polled, 41.5% said they should be banned, compared to 33.6% of the 474 men who answered the survey.

Alternatives suggested

Men were more likely than females to suggest other alternatives. Alternative suggestions to banning and behind-the-counter restrictions were made by 13.8% of the total respondents. But of the men, the percentage was 17.6%, and of the women, it was 10.3%.

The most commonly mentioned alternatives to banning and behind-the-counter sales were better packaging (3%), use of a pill or caplet (2%), by prescription or through a doctor (2%) and better security in manufacturing (2%).

Persons 65 or older were less likely than other age groups to say capsules should be sold only by pharmacists, and more likely than most other age groups to recommend other alternatives.

Females were more likely to say their fears have increased in the last month, with 35.9% saying "yes," compared to 20% of the males. Of males, 18.1% said they have no fear of taking capsule medication, compared to 10.1% of females.

Perceptions fluctuate

Consumers' perception on the safety of capsule medications in the wake of tampering incidents has tended to fluctuate. Statements by industry leaders as well as actions by manufacturers tend to influence the public mood, according to industry observers.

Consumers' views shifted toward the position that capsules were safe enough to sell in early March, after some industry spokesmen insisted that capsules could be made tamperproof. But industry observers said attitudes shifted back toward wariness after the poisoning of Contac capsules discovered March 19 and 20 in Orlando, Fla., and Houston, and the Washington deaths.

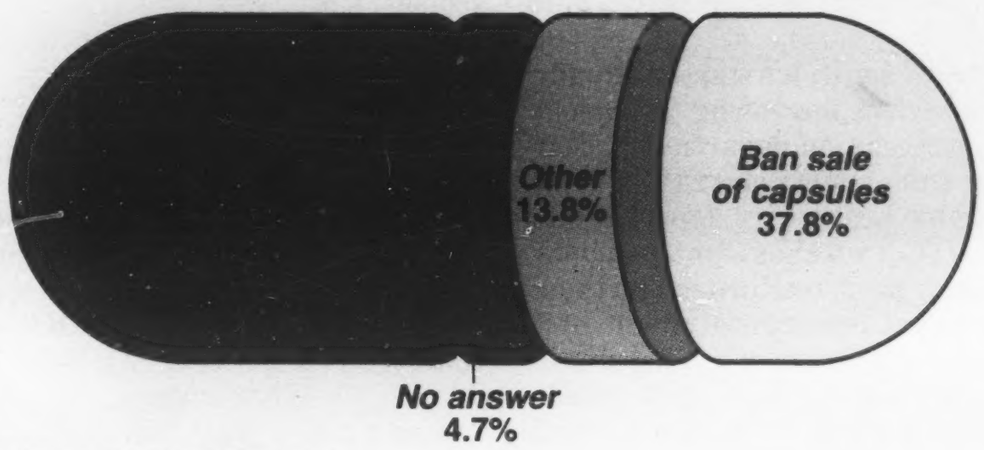
Warner-Lambert surveys

Recent surveys by Warner-Lambert, the world's largest manufacturer of hard gelatin capsules, have revealed "some erosion" in consumer confidence. "But we still feel consumers, give the choice, would prefer capsules," said Marshall Malloy, a Warner-Lambert spokesman.

Surveys sponsored by Capsugel, the Warner-Lambert capsule manufacturing division, showed consumers' preference for capsules dropped to 38% after the Tylenol and Contac incidents this year, compared to 54% in 1983. Malloy confirmed that increased to 46% by early May, but he declined to reveal the most recent results.

The Lebhar-Friedman survey in its findings of support for confining capsules sales behind the counter seem to bolster the conclusions of a poll by Louis Harris that was conducted by telephone from Feb. 22 to March 3. In that survey, in which 1,305 persons were polled, 62% said they favored the statement that medicines that can be tampered with should be taken off the shelves and put behind the counter. On the question of whether the government should prohibit the manufacture of capsule medications, 48% said they favored such a step, and 49% said they were opposed.

What consumers say about capsules



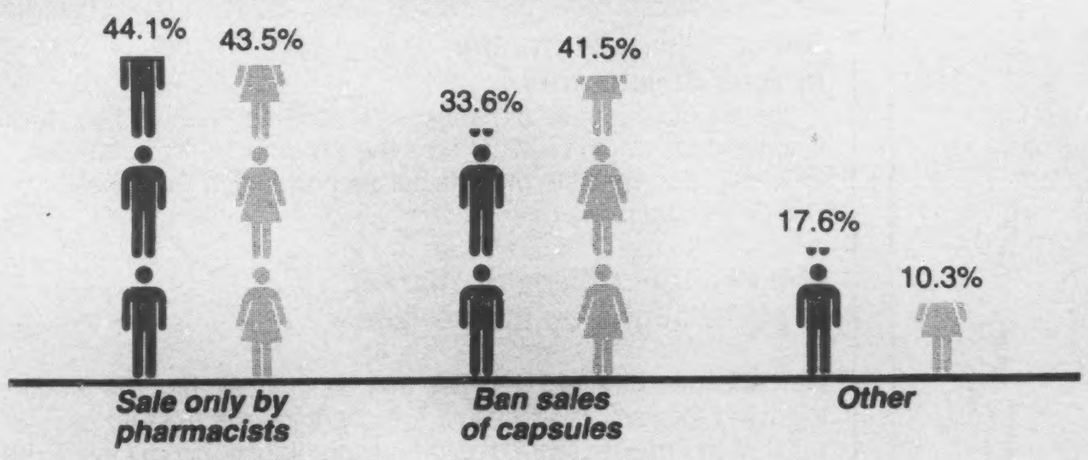
Source: *Drug Store News* survey

Other suggestions on capsules

Better packaging	3%
Make into pill/caplet	2%
Prescription or doctor only	2%
Better security in manufacture	2%
Better law enforcement	1%

Source: *Drug Store News* survey

Men vs. women



Source: *Drug Store News* survey

How study was done

Lebhar-Friedman's survey on consumer attitudes toward capsule medications employed a national probability sample of 1,000 adults, who responded to two questions from June 20 to 22.

The data was collected by TeleNation, a syndicated service of Market Facts Inc., a nationwide full-service market research organization.

The survey has a high reliability based on standard measurements. The standard error is 2.6%, meaning the results would vary by no more than this margin if all U.S. consumers were polled. The level of confidence is 90%, meaning 9 out of 10 persons could be expected to respond with answers consistent with the survey's results.

DrSN *digs up secret probe of pharmacy boards*

WASHINGTON — Federal antitrusters are conducting a secret investigation into alleged anticompetitive restrictions on pharmacy practice by one or more state boards of pharmacy, *Drug Store News* has learned.

The probe by Federal Trade Commission officials has been under way since at least August of last year, according to documents obtained from that agency.

Although it was not clear at presstime how many state boards were under scrutiny—indeed, FTC officials even refused to confirm the existence of their "nonpublic" investigation —Federal documents obtained by *Drug Store News* reveal that pharmacy regulators in Massachusetts are one target of the commission's probe.

The federal investigation focuses on suspicions that a number of state pharmacy board regulations place "unreasonable restrictions on (drug store) advertising, or on business practices that offer increased convenience to consumers, such as branch offices and computerized prescription services."

The existence of the FTC investigation came to light when a routine check of FTC files turned up a motion by the Massachusetts Board of Registration in Pharmacy to "quash" a federal subpoena demanding that all members of the state board submit to questioning by investigators at the commission's Boston regional office.

Significantly, however, FTC's probe dates back at least a year to an FTC inquiry questioning several rules adopted by the Massachusetts board.

Asked board cooperation

At that time, FTC antitrusters asked officials of the Massachusetts board (and presumably pharmacy regulators in other states) to "cooperate" in an agency inquiry of potentially anticompetitive state pharmacy practice regulations.

Specifically, that FTC letter asked the board for information on several current regulations:

- One that prohibits pharmacists in the state from making "claims of professional superiority" and advertising "services that disparage the ability, character, or integrity of other pharmacists.
- Another rule that bars mail-order Rx transactions as well as any other arrangement that "adversely affects the pharmacist-patient-practitioner relationship."
- A third rule that prohibits "any arrangement whereby prescriptions may be collected, delivered in batch to a pharmacy, and filled."

In petitioning to "quash" the FTC subpoena, Massachusetts assistant attorney general William Pardee argued that state licensing boards "may promulgate rules designed to promote professionalism even if there is some adverse effect upon competition."

C5150-2

Merchandising Trends:
Home office needs get year-round focus—p. 15

Technology Today:
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Inside Pharmacy:
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DRUG STORE NEWS®

Vol. 8/No. 17 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. August 4, 1986

Dart plans to open 10 new stores a year over the next three years in Greater Washington, nearly half in a downsized format similar to its high-style 5,000-sq.-ft. prototype at 20th and L Streets.

Dart capitalizes on new format

By Al Heller

LANDOVER, Md. — The 5,000-sq.-ft. prototype used by Dart Drug Stores to penetrate downtown Washington is fast becoming one of its most profitable units in this market.

The downsized format is a far cry from the 45,000-sq.-ft. drug and home center stores that gave Dart its earlier image—in merchandising techniques and assortments, but most importantly, in flexible locations.

The store is high fashion in gray and maroon, with glass shelving and neon and baffled lights. The compact format has "opened new vistas as to where we can go. We can fit a store anywhere we want now," senior vp-operations Robert Goldstein told *Drug Store News* during a recent tour of the market.

That will increasingly be downtown, where office worker density translates into high walk-in traffic and sales of $500 per square foot. Dart will be in inner-city neighborhoods, too, said chairman Stephen Hansbrough, who wants to position Dart as "the hometown chain."

However, Peoples now outstores everyone in the market with 150 stores in Greater Washington, including 36 in and around the capital. Gray Drug Fair, which is up for sale, has about 100 stores here, and Dart, 82.

But Dart and Peoples run neck and neck for volume leadership in the market, each with about a 25% share, according to recent *Drug Store News* research.

Dart said it hopes to add 10 stores a year over the next three years, raising store count nearly 40% to about 110. Over the next six years, said Goldstein, Dart hopes to open

See **Dart,** *page 33*

Sherwin-Williams to paint Gray out of its future

CLEVELAND — After five years of clinging to the Gray Drug Fair roller coaster, Sherwin-Williams has finally decided to jump off.

The successful paint manufacturing and retailing company said it was abandoning its long efforts to turn around the troubled drug chain, and was now open to offers.

"It better serves our long-term interest from a strategic point of view," said John G. Breen, Sherwin-Williams chairman. "We'll concentrate on our coatings and coatings-related business as opposed to deploying our resources into two legs of business."

Speculation about possible buyers for the chain's 450 stores focused on drug chains with deep pockets, including Peoples, Rite Aid, Walgreens and Osco, as well as on K mart and Kroger. Industry sources also did not rule out a leveraged buyout by management, although that possibility seemed remote.

The consensus was that Peoples stands the most to gain by the acquisition. The Alexandria, Va.-based chain has a strong penetration in the mid-Atlantic states and the Midwest, where Gray Drug Fair's strength lies, and a growing presence in Florida, where Gray operates 79 stores. Peoples also has the resources and the management

See **Gray,** *page 32*

Pharm-Escomptes eyes New England

Canadian co. expanding to U.S.

MONTREAL — Pharm-Escomptes Jean Coutu, Quebec's largest drug retailer, is leaping over the border with a new deep discount store chain.

Pharm-Escomptes announced plans to build its own American-style, low-price drug chain in unnamed Northeastern markets through a new U.S. subsidiary. With the goal to roll out as many as 10 stores a year, the Canadian chain is bidding to become a major regional deep discount player.

The stores will be patterned after Drug Emporium and Freddy's in merchandise mix and operations, said Michel Coutu, a Pharm-Escomptes adviser and planner.

The venture follows two years in which the 100-store chain has unsuccessfully sought to break into the U.S. market through an acquisition, said Coutu.

"We tried to buy a chain, but there was nothing for sale. We decided there is nothing even close to what we wanted," said Coutu.

The chain had looked to acquire a business complete with management as its first vehicle in the United States.

See **Canadian,** *page 33*

Kroger to sell all or part of drug biz

CINCINNATI — Kroger Co. announced it will sell or partly divest its drug store division, in a corporate restructure to emphasize growth through food/drug combos.

Kroger chairman Lyle Everingham said alternatives for the 540-store SupeRx and 320-store Hook Drug chains include a spinoff, creating a new company without Kroger ownership, or a partial divestiture.

The supermarket company is repositioning the drug division because it hasn't been meeting profit goals, said Paul Bernish, a Kroger spokesman.

The reorganization will include selling 100 underperforming Kroger supermarkets scattered among all divisions and cutting corporate expenses 25% through voluntary early retirement.

Safeway breakup inevitable?

LANDOVER, Md. — A breakup of Safeway Stores looked inevitable after the Dart Group underlined its desire to buy the food retailer with a $64 per share offer for a friendly merger.

Retail analysts said at presstime that Safeway might continue to resist Dart by selling off one of its profitable foreign divisions, or stores in weak markets, to raise money to buy back stock and pay off Dart.

The Dart Group similarly would be forced to divest parts of Safeway to cover the large debt it will incur if its leveraged buyout succeeds.

Dart's latest offer is a $360 million increase from its initial $58 per share tender offer of $3.54 billion.

Revco:Bloodletting stopped

By Dave Vaczek

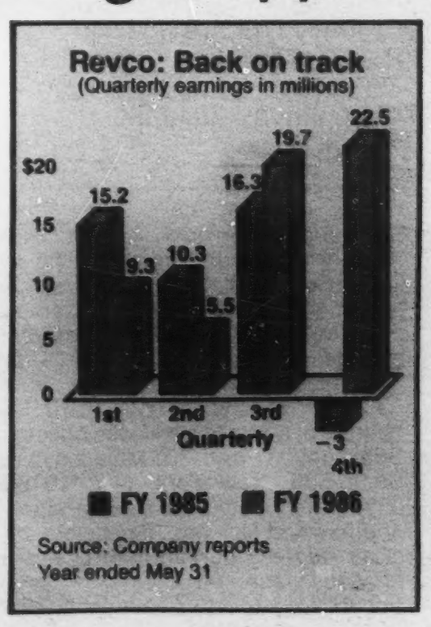
TWINSBURG, Ohio — Revco is back.

The chain reported year-end earnings up 62%, as fourth-quarter results added force to a second-half recovery.

The 1986 fiscal year rebound—underlined by same-store sales growth of 8.5%—confirmed forecasts by Revco officers, who have been involved since March in a bid to acquire the 2,031-store chain through a leveraged buyout.

Net earnings from operations were up 36.6% in the

See **Revco,** *page 32*



New fragrances out for young shoppers See page 10

NACDS merchandising 34

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KEVIN KENDRICK
CONGRESSIONAL INFO SVC 14H
4520 EAST WEST HWY STE 800
BESTHESDA MD 20814

Acquisition boosts FoxMeyer's role in South

JACKSONVILLE, Fla. — FoxMeyer will boost its presence in the Southeast and raise annual sales above this year's target of $2 billion by acquiring Lawrence Pharmaceuticals Inc., the Florida-rooted $200 million sales drug and H&BA wholesaler.

The estimated $35 million cash deal, which was proposed in a tentative pact last month, will give the Dallas-based wholesaler its first significant purchase in demographically promising Florida markets. FoxMeyer is continuing its fast-track agenda of building profits by buying market share, despite earlier stated plans to delay acquisitions until later in 1986.

"It gives us a great market and the right player in that market," said Lloyd Cahoun, FoxMeyer's vp-finance.

Serves 1,300 independents

Lawrence serves 1,300 independent drug stores in a trading area that includes North and South Carolina, Alabama, Georgia, Tennessee and Virginia.

Industry sources said the agreement calls for a premium price tag in excess of $35 million for all issued shares of the local private distributor.

Under president Lawrence DuBow, Lawrence Pharmaceuticals has been known as a well-run and innovative distributor. Lawrence Pharmaceuticals is a major supplier of K mart in Florida.

The pending buy confirms analysts' views that the April purchase of FoxMeyer by National Intergroup won't inhibit FoxMeyer's strategy of building profits through the acquisition of well-run independents. NI wants to use the business as its major growth vehicle.

FoxMeyer pounced after Lawrence Pharmaceuticals began discussing a sale with other potential owners, sources said.

"Can't miss opportunities"

"They can't miss opportunities because of the corporate reorganization going on at Intergroup," said Mark Felder, an analyst with the Legg, Mason, Wood, Walker Inc., brokerage house in Baltimore.

"The supply of high-quality regional independent distributors is dwindling. FoxMeyer intends to take a look at all the quality properties that are left," said Felder. The strategy is profit growth through acquisition in the short term, saving income growth by improving margins as a long-term objective.

Cahoun said less than 5% of FoxMeyer's current distribution network overlaps with Lawrence's, in central Tennessee and in the western Florida panhandle, which FoxMeyer services through its 80,000-sq.-ft. Slidell, La., warehouse.

FoxMeyer will be positioned to inject variety store merchandise from its 1,629-store Ben Franklin chain into the Lawrence distribution system to expand its merchandise offerings to retailers.

Pay 'n Save's $352M stock offering sells out

SEATTLE — Pay 'n Save Inc. and its wholly owned subsidiary, PNS Inc., have sold out an expanded public offering, according to a spokesman for Drexel Burnham Lambert, managing underwriter for Pay 'n Save.

The original offering totaled $275 million. The new one is $352 million (3,250,000 shares of common stock at $16, or $52 million), plus $150 million in convertible debentures and $150 million in senior subordinated notes.

Proceeds of the sale will be used to acquire Bi-Mart ($84 million in cash) from Pay 'n Save subsidiary Seattle Standard Corp., as well as to reduce Pay 'n Save's debt and to finance a vastly expanded distribution system.

The public offering comes in the wake of two lawsuits filed by Pic 'N' Save: one against Drexel Burnham Lambert, seeking an injunction to nullify the sale of stock, debentures and notes; and the other against Pay 'n Save, seeking to halt the chain's use of the "Zimmerman merchandising strategy." (Bill Zimmerman, former Pic 'N' Save chairman, is now Pay 'n Save partner and chairman.)

In view of the legal action, some observers were puzzled that the public offering sold out.

An analyst in Seattle said: "Zimmerman's reputation is such that a lot of people are willing to bet on him. There is also a paternalistic feeling toward Pay 'n Save—it's a local name that's been around a long time, and most of the offering was sold in the Pacific Northwest."

SDM tightens hold on Canada

TORONTO — The Shoppers Drug Mart agreement in principle to buy Super X Drugs Limited marks another step by the Canadian giant to raise its national market share from 28% to 32%-35%.

By adding Super X to its network, SDM builds its franchised operations from 450 stores to 526. Moreover, SDM heightens its Ontario presence without cannibalizing its stores in and around Toronto.

Super X is concentrated mostly in the western end of the province, enabling SDM to fill in where it hasn't had large store counts before. Chairman David Bloom cited other advantages to the pending takeover: the chance to broaden its health care services and lower prices selectively.

Super X will most likely operate as a separate division and maintain its current merchandising thrust, SDM said.

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Vol. 8, No. 17 August 4, 1986

Shaw: Listen to the customer

Retiring buyer offers tips to please shoppers

DEERFIELD, Ill. — After 38 years with Walgreens—first as an apprentice pharmacist, then pharmacist, store manager, district manager and finally cosmetics buyer—Milt Shaw is retiring.

Shaw, described by colleagues and vendors as "one of the shrewdest buyers in the industry," was just out of the Navy and starting back to school when he joined Walgreens in 1948.

"I was going to be a pharmacist in those days," he recalls. "I didn't get into cosmetics for quite a few years."

Became buyer in '77

He became a cosmetics buyer in 1977, after working as a store manager and then district manager in New York and, later, Chicago.

"I was very interested in cosmetics," he remembers, "but, in a way, I was kind of forced into it, too—forced into learning it, I mean."

As Shaw tells it, in the early 1960's, when he was still a store manager in Yonkers, N.Y., his cosmetician had to have surgery. Her backup proved unsatisfactory, and Shaw wound up firing her.

"There was no one else there to do the job," he said. "So there I was, managing the store, filling prescriptions and handling the orders and the other details of being a cosmetician."

By the time he could get a good cosmetician again, he was hooked.

Learned "the hard way"

Shaw said he learned about cosmetics "the hard way, by just doing it.

However, "I had a lot of help, especially from the manufacturers' reps and especially from the Revlon sales rep, a man named Jim Roof."

Shaw remembers the reps walking through the ordering with him, and the inventorying of what was in the store. They'd go over the upcoming promotions and talk about the trends.

"One of the great lessons," he says, "was what to do so you would never be out of stock. You don't ever want a customer to come in and ask you for something that she knows you stock but that you can't give her when she wants it.

"Another key point was, don't ever compromise quality for price. If the price is there but not the quality, you might get that first sale but the customers will stop trusting you, and they might not come back.

"It's much harder to try to guess in advance what a customer might want from a new product or a new category just coming out. My belief is that the customer knows what they want, and when they see it on the market, they come and tell you about it."

Shaw says that when it comes to picking new products to stock, the best buyers he knows "rely on their experience and their judgment. Choosing a winner is always very subjective, but you can get an inkling of how the product may work by watching what the manufacturer plans to do for it, how serious they are about supporting it. And you can partly tell yourself by what you know of past successes or failures in similar situations."

Promoted basics

He took pride in promoting basics that competitors were neglecting.

"With Coty, for instance," he says, "we promoted the basic items like the face powder. No one else was doing any promoting on the line, but it was a natural. It was the No. 1 loose face powder in the world, and we could advertise it and not have to put it in a display or on an endcap, and the customers would just come in and look for it. It helped build our business and we didn't have to bang heads with any competitors because at the time, no one else was advertising it. It gave us an edge."

What Shaw figures he will miss most about Walgreens is the team spirit, the sense that each job is a collaboration of everyone.

Saw chain grow

Shaw saw Walgreens grow from several hundred stores to a chain of over a thousand

Milt Shaw

stores, doing over $3 billion a year in sales.

"As we've grown," he says, "we've become a company that reacts more rapidly. We look for change and we try to take advantage of it.

'Be open-minded'

"If a new buyer were to ask me now what I'd learned from my years as a buyer at Walgreens and what I'd pass on, I'd have to say this:

"One should be open-minded. You have to search out new opportunities. You also have to check on every statement that is made to you. You have to be sure that the information you're given when you're asked to buy something is correct.

"You also can't let personal prejudices affect your judgment. You don't buy just for your tastes. For instance, if I didn't like girls with two holes in each ear, that should not make me stop buying a set of earrings for those two holes.

"If it's something the customer wants, then we should search out every opportunity to give it to them."

Shaw plans to retire to California, near San Jose, where he will be close to two of his sons. He also has a third son and a daughter. Described by friends as a workaholic, he intends to mix some work, probably as a consultant, with "travel, reading, photography, listening to good music, and visiting with my family."

Lubin to take over

Drug Store News has learned that Steve Lubin has been named to replace Milt Shaw as Walgreens' senior cosmetics buyer. Lubin most recently served as the chain's toys and sporting goods buyer.

FINANCIAL

Analyst: Outlook is optimistic for second half

By Jonathan H. Ziegler

The long-awaited rebound in the economy has been postponed. Recent reports of employment growth and leading economic indicators now show that the second half will exhibit moderate growth (estimated at 2.5%), with the likelihood of a slight decline in corporate earnings.

Financial Analysis

Nevertheless, I remain optimistic about second-half prospects for food and drug retailing companies, as I'll explain below.

It would have been logical to presume that buoyant, if not boom, conditions would be upon us. After all, the combination of lower interest and inflation rates, depressed energy prices, an expansionary monetary policy, a lower dollar and very little letup in government spending should have provided adequate stimulation to the back half of '86.

Instead of an economic high, however, we continue to live with lethargy. For one thing, the projected scenario has not unfolded in the agricultural sector. Nor has excess operating capacity in the manufacturing sector made managers go out and increase capital spending, despite lower interest rates.

What happened, in fact, was that lower energy prices have made existing plants and equipment more economic. Furthermore, dropping energy prices have had a depressing effect on the country's energy belt. Finally, uncertainty over tax reform has brought a degree of caution to the nation's executive suites.

There are other factors that have put a crimp in the second half recovery prospects. One involves the trade deficit. The lower dollar may eventually have a positive impact on the trade deficit with Germany and Japan. But before that can happen, their domestic economies will have to be primed as well. In addition, whatever trading advantage we gain with these countries, we (and they) may lose with the rise of the newer trading partners of Korea and Taiwan, whose currencies are largely tied to the dollar.

Were this picture not bleak enough, the structure of the proposed tax reform policy will exert a drag on the economy this year before it provides a stimulus in 1987.

Having discussed what appears to be a cautious outlook, I remain optimistic. One reason is that consumers have been spending on big durable goods in the first half, but should be just about spent out. That is good news for the retailers of consumable goods, like drug stores and supermarkets. Increased spending in this sector should have a decidedly beneficial impact on same-store sales, which have been lackluster over the past year.

Moreover, last year managements became increasingly aware of the negative impact on sales growth caused by the slowdown in inflation and heavier competition. As a result, cost structures and inventory levels have largely been brought into line. What's more, the tough comparisons in same-store sales seem to be past.

Thus, I envision a leveraged impact on bottom line results. This should be buttressed by the ongoing programs of closing marginal units and the maturing of newly opened units.

More financial news on p. 12

Stable growth companies' results should compare favorably with the manufacturing sector of the economy. And positive operating comparisons should continue into the first half of 1987. The late 1987 period should then begin to benefit from the increase in consumer disposable income resulting from the tax cuts.

No discussion of the economic outlook should fail to mention inflation. Lower interest rates, expansionary monetary policy and budget deficits scare the Federal Reserve. However, no one in the industry that I talk to sees any sign of inflationary pressure during the balance of the year. In fact, the problem facing retailers is just the opposite: too little inflation. There is just too much product chasing too few buyers. Consequently, pricing pressures are intense, and continuing cost control efforts remain the essential ingredient in staying competitive.

Jonathan H. Ziegler, a certified financial analyst, is a vice president of Sutro & Co., San Francisco.

Name	Symbol	STOCK PRICE From 07/03/86 - 07/16/86 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct.	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	70.38	64.50	65.50	-5.13	-7.26	71.25	53.13	4.11	-1.33 q	-23.8	15.3	.84	1.3
Begley Co	BGLY	23.00	22.50	23.00	.25	1.10	23.50	15.50	1.27	.01 f	.8	18.1	.72	3.1
Big B	BIGB	17.88	16.75	17.38	-1.00	-5.44	18.75	12.63	.61	-.04 q	-5.7	26.3	.00	.0
Drug Sys	DRGS	7.50	6.88	7.13	-.13	-1.72	7.50	3.75	-.43	-.78 f	-100.0	NE	.45	6.3
Fay's Drug	FAY	10.75	9.25	9.50	-1.13	-10.59	11.75	8.00	.20	-.50 q	-87.7	NM	.20	2.1
Genovese Drug	GDX	14.50	13.63	14.38	.00	.00	15.00	9.63	.73	-.17 q	-19.1	20.0	.20	1.4
Longs Drg Strs	LDG	36.00	31.25	32.75	-2.25	-6.43	38.75	24.75	1.74	-.19 q	-9.9	18.9	.76	2.3
Medicare Glaser	MGCO	5.00	3.50	4.75	1.00	26.67	5.00	3.50	-.20	-.25 f	-100.0	NE	.00	.0
Medicine Shoppe	MSII	31.25	29.00	29.00	-2.50	-7.94	32.00	21.00	.84	.14 s	18.2	31.9	.00	.0
Perry Drug	PDS	20.38	17.75	18.13	-2.00	-9.94	20.88	12.75	.98	.14 *	16.7	18.5	.22	1.2
Revco Drug	RDS	37.13	34.88	35.25	-2.13	-5.69	39.88	23.50	1.06	-1.01 n	-51.3	36.7	.80	2.3
Rite Aid Corp	RAD	34.88	29.75	30.75	-3.88	-11.19	35.50	21.50	1.52	.09 q	5.6	18.2	.58	1.9
Thrifty Cp	TFD	39.50	38.00	38.00	-1.25	-3.18	40.38	18.13	1.60	.13 s	8.6	23.0	.64	1.7
Walgreen Co	WAG	39.00	35.50	36.00	-3.13	-7.99	39.50	22.50	1.53	.14 n	9.2	21.6	.50	1.4
Wholesaler's transactions														
Alco Hlth	AAHS	23.38	21.75	21.88	-1.75	-7.41	25.38	12.75	1.10	1.19 s	NC	18.4	.00	.0
Bergen Bruns	BBCA	24.63	22.00	22.75	-1.88	-7.61	37.25	21.88	1.82	-.26 n	-14.4	14.7	.32	1.4
Bindley Wstn	BIND	12.50	11.63	12.00	-.38	-3.03	13.00	7.75	.79	.10 q	13.2	14.0	.00	.0
Cardinal Distrb	CDIC	23.50	21.50	21.75	-2.50	-10.31	25.25	14.22	1.36	.44 f	47.8	16.0	.08	.4
Durr Fillauer	DUFM	16.25	14.88	15.13	-1.00	-6.20	16.75	9.25	.78	.01 q	1.3	18.9	.16	1.1
Ketchum	KCH	17.88	16.50	16.88	-1.13	-6.25	23.25	14.75	.56	-.01 n	-2.2	38.4	.00	.0
McKesson Cp	MCK	62.63	59.50	60.13	-2.38	-3.80	65.25	44.88	3.96	.36 f	10.0	15.2	2.40	4.0
Moore Med	MMD	24.25	21.75	22.25	-1.63	-6.81	25.00	15.75	1.45	.29 q	25.7	15.7	.00	.0
Owens & Minor	OBOD	17.50	15.75	15.75	-2.00	-11.27	20.25	13.38	1.14	.10 q	9.7	13.9	.30	1.9
Manufacturer's transactions														
Abbott Labs	ABT	54.63	47.50	48.13	-6.13	-11.29	55.00	26.44	1.94	.32 s	17.8	22.7	.84	1.7
Am Home Prod	AHP	92.38	85.63	85.88	-5.88	-6.40	92.38	54.75	4.70	.36 q	8.1	17.8	3.10	3.6
Baxter Travenol	BAX	18.75	16.63	18.00	-.50	-2.70	21.25	12.38	.85	.48 q	200.0	25.0	.40	2.2
Block Drugs Co	BLOCA	26.00	25.50	25.50	-.38	-1.45	26.25	18.22	1.84	.14 f	8.2	13.9	.50	2.0
Bolar Pharm	BLR	29.88	25.00	27.50	-1.25	-4.35	32.88	12.00	.71	.17 q	26.2	33.5	.05	.2
Bristol-Myers	BMY	86.75	77.50	78.38	-8.38	-9.65	88.50	53.63	3.86	.42 q	11.8	19.7	2.20	2.8
Carter-Wallace	CAR	74.50	65.50	66.50	-5.88	-8.12	74.50	32.38	3.63	.97 f	36.5	18.3	.60	.9
Forest Labs	FRX	19.50	15.25	17.00	-2.63	-13.38	20.38	10.56	.98	.61 f	164.9	17.3	.00	.0
ICN Pharm	ICN	18.00	14.13	17.50	2.00	12.90	18.00	8.50	-2.10	-2.20 s	-100.0	NE	.00	.0
Lilly Eli Co	LLY	82.00	72.50	74.00	-8.25	-10.03	83.50	40.50	3.69	.27 q	7.7	19.5	1.80	2.4
Lee Pharm	LPH	32.00	27.13	30.00	-.50	-1.64	32.75	5.63	.40	.27 s	87.1	51.7	.00	.0
Leiner P Nutri	PLIN	21.00	19.50	20.25	.00	.00	21.00	8.25	.81	.03 f	3.8	25.0	.00	.0
Marion Labs	MKC	47.25	38.25	39.50	-7.63	-16.18	49.63	15.63	.47	.22 n	51.2	60.8	.20	.5
Merck & Co	MRK	103.50	97.50	98.88	-4.75	-4.58	105.88	51.75	3.79	.57 q	16.6	24.7	1.80	1.8
Morton Thiokol	MTI	37.88	34.75	34.88	-2.38	-6.38	40.50	30.00	2.50	-2.66 n	-67.9	27.7	.70	2.0
Mylan Labs	MYL	25.63	23.38	23.50	-2.38	-9.18	27.13	13.50	.86	.34 f	65.4	27.3	.10	.4
Newport Pharm	NWPH	6.63	5.88	6.13	-.50	-7.55	14.50	5.88	.05	-.08 n	-100.0	NE	.80	13.1
Par Pharm	PARP	17.50	16.63	17.00	-1.25	-6.85	21.88	14.25	.47	.01 s	2.0	33.3	.00	.0
Pfizer Inc	PFE	72.75	64.00	65.25	-7.50	-10.31	72.88	43.75	3.44	.35 q	10.9	18.4	1.64	2.5
Robins, AH	QRAH	11.88	11.00	11.00	-.63	-5.38	19.13	5.50	2.53	20.78 q	NE	4.3	.00	.0
Rorer Group	ROR	41.38	37.63	38.25	-3.00	-7.27	47.00	32.50	1.72	-.21 q	-10.1	20.5	1.12	2.9
Scherer RP Co	SCHC	16.88	15.50	15.88	-2.13	-11.81	18.00	11.50	-1.23	-.80 f	NE	NE	.32	2.0
Scher Plough	SGP	88.00	78.75	80.13	-7.63	-8.69	88.00	45.00	3.77	.43 q	12.2	20.3	1.80	2.2
Squibb Corp	SQB	116.38	105.75	111.50	-1.75	-1.55	116.38	65.13	4.20	.64 q	17.0	25.3	2.00	1.8
Sterling Drug	STY	48.38	44.63	46.50	-1.38	-2.87	49.00	29.50	1.83	-.51 q	-21.2	24.5	1.32	2.8
Syntex Corp	SYN	70.50	63.25	65.88	-4.13	-5.89	72.75	28.88	4.65	3.31 n	160.7	12.3	1.20	1.8
Thompson Med	TM	17.75	12.75	13.38	-4.25	-24.11	21.00	11.75	1.18	-.75 q	-39.5	11.6	.40	3.0
Upjohn Co	UPJ	92.50	82.63	87.00	-5.50	-5.95	103.75	50.38	3.29	.85 q	32.6	25.1	1.52	1.7
Warner-Lambrt	WLA	62.38	57.75	58.75	-3.63	-5.81	63.13	33.75	-4.05	-6.83 q	-100.0	NE	1.56	2.7
Zenith Labs	ZEN	15.00	11.75	12.50	-2.38	-15.97	18.31	8.69	.73	.52 q	216.7	16.4	.05	.4

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

Thrifty's sales rise 6.5% to $364M in third quarter

LOS ANGELES — On the eve of its acquisition by Pacific Lighting Corp., Thrifty Corp. announced record sales and earnings for the nine months ended May 31.

Net income for the third quarter increased 6.6% to $6 million, or 29¢ a share, from $5.6 million, or 28¢ a share, in the same period last year.

Sales for the quarter rose to $364.3 million from $341.9 million last year, a 6.5% gain.

Net income for the nine months was up 6.5% to $25 million, or $1.24 a share, from $23.5 million, or $1.18 a share, in the comparable period last year. Sales increased 5.8% to $1.10 billion from $1.04 billion.

Same-store sales for the nine months, reflecting the results of units open at least a year, increased 3.9% over the same period a year ago.

Thrifty said it had completed its acquisition of Guild Drug and has merged that company into its wholly owned subsidiary, Thrifty Jr. Inc., which now operates 27 drug stores, mainly in southern California.

Thrifty expects approval of its merger with Pacific Lighting at a special shareholders meeting on Aug. 5. As a result of that merger, Thrifty shareholders will become shareholders of Pacific Lighting. Every share of Thrifty stock will be exchanged for .802 of a share of Pacific Lighting.

Stop & Shop's sales up

BOSTON — Stop & Shop reported higher sales but lower net earnings in the 16-week period ended May 24.

Corporate sales were up 17% to $1.14 billion, compared with $972 million a year earlier.

Net earnings fell to $3.9 million, down from $6.9 million in the same quarter a year ago.

The Stop & Shop supermarket division contributed heftily to the sales gain. The division's sales rose 9% to $586 million in the quarter, including a 4% same-store sales pickup.

MERCHANDISING TRENDS

Chains sharpen image as year-round source for home office needs

Add new focus on tax time

Drug chains are wooing tax time customers with a new face and a new image as a year-round source for home office supplies.

Chains such as Perry, Kerr and Wellby are adopting new home office planograms, which often contain upgraded notebooks, desk accessories and file cabinets designed to appeal to the small-business man as well as the home office manager.

"We're trying to highlight our regular department as a place for people to come day in and day out, not just twice a year," said Mike Perkins, Wellby merchandising project specialist.

The "highlighting" by Wellby, Perry and Kerr involves keeping home office distinct from back-to-school through separate planograms, increased assortments and improved shelf design.

Chains balance demands

Drug stores, meanwhile, are upgrading selectively. Industry research shows the bulk of the home office market is accounted for by small businesses with fewer than 15 employees. In such areas as desk accessories, organizers and filing cabinets, chains balance the need to provide higher-end lines that businesses usually want with other customers' demand for low prices.

"The office products shopper is nowhere near as price-sensitive as Mom buying stuff for the kids. He is far more quality-conscious," said Paul Terry at Lion Office Products. Lion this year is emphasizing desk accessories, including a line of telephone list finders ($6-$20) and Lion Business Card File.

Walgreens is among chains picking up sku's in Eldon Office Products high-end Image 1500 line of desk accessories by carrying a paper clip dispenser and stamp dispenser, which Eldon is offering for the first time in retail packaging. Pay Less Drugs is adding two sizes in Eldon's new "The Notables" line of plastic note holders.

Perry carves new section

Perry upgraded in file cabinets, notebooks, and home filing chests as it rolled out a 32-ft. home office planogram in a 20-store test in May. The chain eliminated 32 ft. of toys in order to pair the new section with its 32-ft. back-to-school segment. Stores typically have carried 8 ft. of home office within this section, said Mike Thomas, Perry's stationery buyer.

While Mead continues to be Perry's major school supplies vendor, Perry's Thomas is adding 15 sku's of Stuart Hall's Executive line of notebooks to the new planogram and 4 ft. of Stuart Hall's Super Advanced notebook line. Perry will heavily promote the Executive line in January, Thomas said.

Meanwhile, Thomas is replacing 99¢ cardboard storage boxes with Fellowes' "Neat Idea" line of corrugated cardboard filing boxes priced from $4.99 to $9.99.

Perry is adding to the planogram Rockaway's nine-sku line of metal filing cabinets from $5.99 to $22.99, while running an in-and-out promotion on two-door metal cabinets the chain buys in Taiwan.

"Overall, the customers are willing to pay for a quality product," said Thomas.

Kerr this month unveiled a revamped 58-ft. back-to-school department, with 18 ft. for home office. The planogram includes a new merchandis-

Continued on page 16

Rite Aid's Camp Hill, Pa., store draws attention to its home office department by pairing notebooks and file folders in wire racks with pegged accessories.

Envelopes, pressure-sensitive products pace office supply sales

(Manufacturers' shipments in million of dollars)

Products	1984	1983
Stationery products	$1,027.1	$ 958.6
Envelopes	2,109.8	1,827.4
Pressure-sensitive products	2,119.6	1,803.0
Die-cut paper and paper board office supplies	658.0	578.5
Pens, mechanical pencils	829.8	782.6
Ballpoint and roller pens	451.6	417.7
Markers	168.0	170.6
Nonmechanical pens, crayons, chalk	218.3	210.8
Handstamps, stencils, marking devices	254.6	230.6

Source: U.S. Bureau of the Census — Statistics are latest available

Skaggs-Alpha Beta gives greeting cards boutique setting

High profile. Boutique. Department-within-a-department.

These are some of the terms used to describe the reconfiguration of greeting cards, a department in transition at a Skaggs-Alpha Beta.

The chain intends to boost sales of this high-margin category and related accessories: gifts, gift wrap, party supplies and novelties.

In its latest Salt Lake City store, Skaggs-Alpha Beta has switched greeting cards from an in-line location to a boutique-like presentation, 36 ft. long by 12 ft. wide, running perpendicular to the rest of the gondolas (left).

The department consists of six fixtures, side by side. Gift wrap is on end-caps (right).

Fay's in Schenectady, N.Y., appeals to the needs of the home office manager by combining note cards, stationery and index card files with its selection of notebooks and envelopes.

Chains replanogram office supplies

Continued from page 15

ing system with tilted shelves and plexiglass partitions that increase shelf space by 10%-20% and should boost sales 20%, said buyer Graylon Johnson.

Kerr's planogram incorporates 4 ft. of metal filing cabinets by Esselte Pendaflex, which have been "sharp moving items on promotion" at $10 off the everyday $39.95 price, he said.

Kerr is also adding an electric pencil sharpener by Hunt to its three-sku assortment of manual sharpeners.

Johnson said consistently high year-round sales of office products provided the impetus for the replanograming. "Skyrocketing" sales of filler paper and notebooks partly result from competing mass merchandisers' inability to remain in stock, he said.

Chains experiment

Drug chains continue to sell mid- to low-end merchandise lines successfully, including desk accessories and organizers, as they experiment with their assortments. "I don't really see us needing the high-end lines. Maybe we're still too new to realize what our potential is," noted Perry's Thomas.

Perry, for instance, is maintaining its assortment of Sterling Plastics accessories, which remain a popular selling line in drug stores with items at under $6. Thomas noted that many Perry customers are women "who want to run their households like a business," but without high cost merchandise.

Kerr is moving to Sterling this year, with 10 sku's in an upgrade from a five-sku assortment of desk trays from W. R. Rogers. Kerr is dropping Stuart Hall's Executive line, after finding it could improve sales with lower-priced private label notebooks it buys at a lower cost from Carolina Pad and Paper, Johnson said.

Wellby planogram

Wellby's new home office planogram implemented this month limits exposure in such items as desk accessories, file cabinets, and bulk packaged goods like writing instruments and envelopes, which failed to perform last year. The chain's 18-ft. home office section within a 48-ft. stationery planogram reflects a "back-to-basics approach," catering to the college students and small home-operated businesses that the chain feels are its key customers, said Perkins.

"Consistently high year-round sales of office products provided the impetus for the replanograming. Skyrocketing sales of filler paper and notebooks partly result from competing mass merchandisers' inability to remain in stock."
Graylon Johnson
stationery buyer, Kerr Drug Stores

Wellby emphasized envelopes, stationery, computer accessories, and typewriter accessories in adding 46 new items to the planogram. "We haven't noticed a particular demand for desktop accessories and organizers," said Perkins, who is staying with a 12-sku Sterling Plastics assortment.

Part of Wellby's strategy is to reduce its promotional activity—and the markdowns incurred on unsold merchandise—by folding the best-sellers into a planogram that will appeal to the planned purchase all year. "We feel if an item is good enough to carry on promotion, it's probably good enough to carry every day," said Perkins.

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INSIDE PHARMACY®

Average indy '85 sales hit record high: Lilly Digest

INDIANAPOLIS — Sales for the average independent drug store reached a record high in 1985 with an increase of more than 3% over the previous year, but net profits dropped 7%.

According to preliminary results of the 1986 *Lilly Digest* report, the average community pharmacy achieved sales of more than $589,000. While this represents a gain of 3%-plus, the increase is much lower than the average yearly growth rate of 9% posted over the past 10 years.

Scripts top other sales

Prescriptions outpaced other sales with a healthy 6% increase, compared to a decline of 1.6% in front-end sales.

In the area of salaries, employees' wages declined both in dollars and as a per cent of sales. Although employees' salaries dropped over $500, to 10.1% of sales, from the previous year, the average proprietor's or manager's salary rose both in dollars (up $1,553) and as a per cent of sales (up to 5.9%).

In other expenses, rent advanced almost 6% in dollars but remained unchanged as a per cent of sales at 2.4%. Miscellaneous operating costs increased by about $2,700, up 4.2% from 1984.

Overall, net profit before taxes dropped over 7%, with the typical store down $1,217 from the 1984 figure. While

See **Indy,** *page 26*

Lilly Digest reports latest community pharmacy trends

	1985		1984		Change	
Avg. store sales	*$*	*% of sales*	*$*	*% of sales*	*Amt.*	*%*
Prescriptions	$366,903	62.3%	$345,435	60.5%	+$21,468	+6.2%
Other	222,439	37.7	225,878	39.5	− 3,439	−1.6
Total	589,342	100.0	571,313	100.0	+ 18,029	+3.2
Gross Margin	191,834	32.6	188,556	33.0	+ 3,278	+1.7
Net profit (before taxes)	16,158	2.8	17,375	3.1	− 1,217	−7.5
Total income*	51,012	8.7	50,676	8.9	+ 336	+0.7
Scripts	*Number*	*% of total*	*Number*	*% of total*	*Number*	*% Change*
New	13,513	48.5%	13,975	48.6%	− 62	−0.4%
Renewals	14,193	50.6	14,801	51.4	− 608	−4.3
Total	27,717	100.0	28,776	100.0	− 659	−2.4

*Proprietor's salary plus net profit before taxes
Source: 1986 *Lilly Digest* preliminary results

Tamperings spur industry

Rush is on for sealed caps

NEW YORK — Amid the latest attacks on medications sold in capsule form, the drug industry is scrambling to bring out capsules with new features that discourage tampering.

And, although the FDA and the Proprietary Association steadfastly maintain that capsules should not be banned, it appears that at least unsealed two-piece hard-shell capsules may become history within the next six months.

"There is definitely a trend toward sealed capsules," said Chuck Hoover, vp of Capsugel, the division of Warner-Lambert that produces two-piece hard-shell capsules. "Every drug company is also going through a product by product review to see if it is using the most secure packaging."

Sealed capsules gain

Manufacturers maintain that the sealed caps make it much harder to pull apart the capsule and reseal it without destroying the capsule. SmithKline Beckman has already announced it will be relaunching Contac and Teldrin in the sealed capsules, and Warner-Lambert will introduce Benadryl and Sinutab in sealed capsules "at some point," said Hoover.

But not all retailers are welcoming the addition of tamper-resistant sealed capsules. Eli Cohen, president of Duane Reade drug stores in New York, for example, is not receptive to the sealed capsules. "If an alternative is available, I'm taking the caplet or tablet over the capsules. I'm trying to stay away from capsules completely," he said.

See related story, page 31

Cohen believes the safety of caplets or tablets far outweighs the risks of carrying cap-

See **Sealed Caps,** *page 26*

FDA broadens requirements for reporting drug reactions

ROCKVILLE, Md. — The Food and Drug Administration has broadened its requirements for reporting adverse drug reactions to include all marketed prescription drugs without approved new drug applications or abbreviated NDAs.

This new rule, scheduled to take effect in early September, will primarily affect manufacturers, packers and distributors of prescription drugs that were brought to market before 1938—at which time Congress set regulations requiring all new drugs to undergo FDA approval before being sold.

Approximately 4,000 pre-1938 prescription drugs remain on the market, and they include some commonly used products such as epinephrine, morphine, codeine, and vitamin products used in medical treatment.

15-day period set

Under the new rule, advanced by the FDA early in July, firms marketing any unapproved prescription drugs must report any "serious, unexpected" drug reaction or any "significant increase" in serious reactions to the FDA "as soon as possible, but in any case within 15 working days of initial receipt of information."

In addition to this so-called 15-day "alert report," a follow-up report must be submit-

See **FDA,** *page 25*

Solving diversion problem should be joint effort

Cohen's Capsules

Harold Cohen, R.Ph.
Pharmaceutical Editor

When it comes to dispensing medication, consumer safety should be the pharmaceutical community's first priority.

For generations, patients have taken prescription medications without a second thought. That confidence came in part from a basic trust in the patient's pharmacist. Now, unfortunately, that respect has been tarnished by reports that began to surface about a year ago of pharmacists adulterating and selling samples or buying bags of diverted drugs without proper lot numbers.

Here we are, some six months later, and what has been done to re-establish that confidence and trust? The way I see it, very little. There has been lots of talk, but very little action.

One of the more positive steps was the elimination of two-tier pricing by a handful of pharmaceutical companies. But overall, the industry's attempts to control diversion have only begun to scratch the surface.

The war is still raging over drug sampling, and nothing has been done on unit-of-use packaging.

If you step back from the emotions that surround the diversion problem for a minute, I think you'll agree that, for the most part, it all boils down to one thing—economics.

The reason we are beginning to see two-tier pricing erode is because its elimination is probably one of the economically most palatable defenses against diversion.

But what about unit-of-use packaging and sampling?

Although both would deal serious injuries to diversion, I don't think they will inflict the fatal blow needed to be rid of diversion.

As I've said before in the this column, I'm in favor of substituting a coupon system for the current method of handing out samples. It would have a profound effect on diversion.

But as for government-mandated unit-of-use packaging for prescription drugs, my vote is nay.

I have to agree with NACDS, which opposes mandated or industrywide adoption of unit-of-use packaging. Adopting such a measure would add considerably to the nation's health bill as well as make millions of consumers strain their medical budgets even further.

Besides the high cost of unit-of-use, I agree with NACDS that such a move would "unnecessarily restrict the physician's flexibility in tailoring and prescribing the optimal course of therapy for the patient."

If a true solution to diversion is to be found, the economic burden must not fall entirely on the shoulders of the pharmaceutical community. The responsibility for bringing diversion under control must be shared by the government.

But whatever happens, it must be done soon because the pharmacist's reputation for trustworthiness is riding on it.

INSIDE PHARMACY

Rx/OTC news

Trend is toward sealed caps

Continued from page 23

sules, even those with extra tamper-resistant features. "I would go along with all capsules being bought on prescription," he said, adding that caplets are just as easy to swallow as capsules.

Jeff Atkinson, vp-marketing for St. Louis-based Medicine Shoppe, disagrees. "We will definitely carry the sealed capsules as long as consumer demand exists," he said.

Capsules big business

Despite the different approaches retailers will take toward the new capsules, the three leading capsule makers, R. P. Scherer Corp., Eli Lilly and Warner-Lambert, are all introducing new capsules in an effort to dissuade manufacturers from abandoning their capsule lines. That's because capsules are a big business: Last year 100 billion medications in capsule form were sold worldwide. In the United States more than one-third of the 35 billion capsules sold last year were for over-the-counter medications, according to the Proprietary Association.

William Smith, general manager of Elanco Qualicaps, the division of Eli Lilly that manufactures two-piece hard-shell capsules, said many companies have already purchased a $187,000 Quali-Seal machine that welds the halves of the capsule together with a double band of gelatin rings. Smith declined to name the companies that purchased the equipment, but he said they included both ethical and over-the-counter drug makers like SmithKline Beckman.

Sealing machine

Lilly itself will use the machine to sell all of its capsule products by the end of the year, including its prescription medications, said Smith. Lilly's decision to switch its Rx line of capsules, he said, was "an expression of faith in the capsule dosage form."

Although prescription medicines have not yet been subject to tampering, the FDA is aware of at least one death from a tampered capsule sold only on prescription, according to *The Pink Sheet*, an industry newsletter. An FDA spokesman denied the report.

Warner-Lambert's Capsugel division, which last year rang up over $100 million in sales, is about six months behind Eli Lilly. Its machine, using a process called Licaps, is also capable of welding the capsule halves into a single unit with a double band of gelatin rings.

Finally, Scherer, the largest producer of soft-shell capsules, recently received FDA approval to package an asthma treatment, theophylline, in a newly improved version of its liquid-filled soft capsule. A Scherer spokesman said it was the first time a sustained-release delivery system would be available in a soft-shell capsule. He said that other single-ingredient products could be used with the new delivery system.

The Scherer spokesman said the one-piece capsules "have never been tampered with." Since the tampering incidents this year, he said, the soft-shell capsules "have been given more attention as an alternative delivery vehicle."

Despite the new tamper-resistant features available for sealing capsules, some drug companies will still produce the two-piece hard-shell capsules without the added features. A spokesman for American Home Products, makers of Anacin-3 and Dristan, among other OTC lines, said the company will add four tamper-resistant features to its packaging. "We have chosen to go with packaging, at least at this time," he said. "We believe there is no capsulating process that is completely tamper-proof."

Average indy sales up in '85

Continued from page 23

the total income (proprietor's salary plus net profit before taxes) advanced to just over $51,000, or a 0.7% rise, it declined as a percentage of sales—8.7%.

The number of prescriptions filled in 1985 dropped 2.4%, mainly as a result of a decline in renewed prescriptions (down 4%). But while there was a slight drop in total prescriptions filled, prescription inventory rose from 10.5% to 10.6% of script income.

Consumers paid more

Consumers paid more for their prescriptions in 1985. The average prescription charge rose 8.8% to $13.05, an increase of $1.05 over the previous year.

The *Lilly Digest* also reported that the size of the average community pharmacy is increasing. The average store was approximately 2,600 sq. ft., an increase of 7.4%. But the extra space was not productive for the pharmacist.

According to the study, sales per square foot dropped about $7 (down to $222.14) for a 3.3% decline.

When broken down between the prescription department and other merchandise, the prescription department's sales productivity stayed about the same at $9.47 per stock dollar, as compared with $9.50 recorded in 1984. Other merchandise sales productivity also was relatively unchanged at $4.57.

Pharmacists are closing earlier, according to the digest. The average community pharmacy kept its doors open 61 hours per week, one hour less than the year before.

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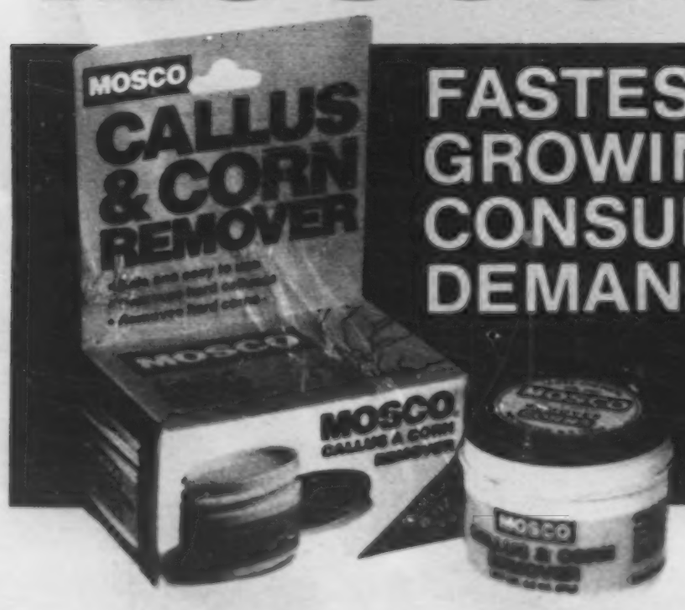

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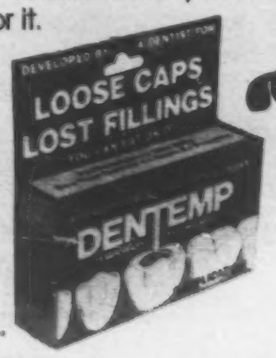

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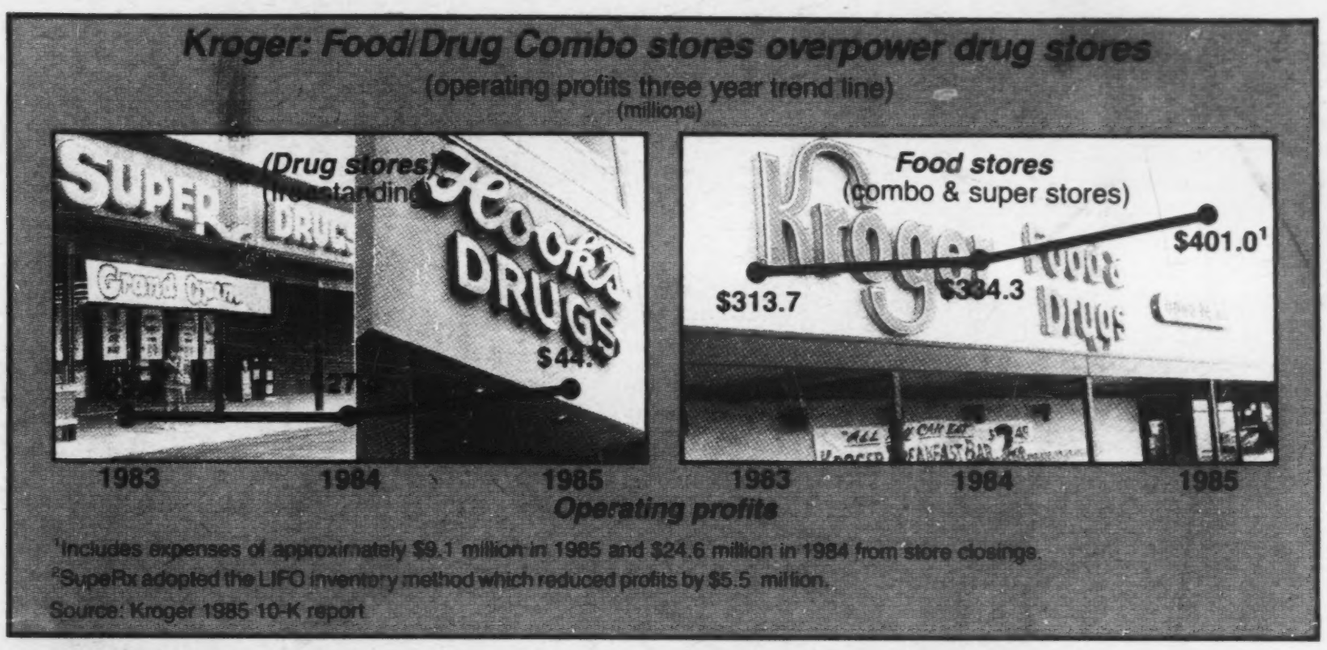
DRUG STORE NEWS

Vol. 8/No. 18 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. August 18, 1986



KK&R to divide Safeway assets; Dart drops bid

By Dave Vaczek

OAKLAND, Calif. — The expected breakup of Safeway Stores under new owner Kohlberg, Kravis, and Roberts took form when the Dart Group dropped its hostile bid in return for pieces of the company.

KK&R said it will negotiate the sale of some assets of the 2,365-store supermarket chain to Dart, in what retail analysts said is just the start of a required divestiture to pay for the $4.2 billion buyout.

The buyout specialist's agreement with Dart cleared the way for its $69 per share tender offer, which the Safeway board of directors embraced after a six-week hostile siege by the Landover, Md.-based owner of discount book and auto parts stores.

Besides earning Dart a piece of Safeway, the Haft family's persistence helped erase their burgeoning reputation as green mail artists, analysts told *Drug Store News*. Herbert Haft and his

Continued on page 62

Dart ventures rewarded well

LANDOVER, Md.—The Dart Group scored another bull's-eye with its stock position in Safeway Stores, earning it roughly $80 million.

Dart fought for Safeway with a war chest enriched by other direct hits on takeover targets. It gained $13.3 million when it sold its shares of May Department Stores and Jack Eckerd Corp.—retailers it had threatened to buy, but then backed out, after the stock price soared.

Analysts said Dart profited similarly from its stock positions in Beatrice Cos. and Revco.

That's on top of the $75 million it earned from the $160 million sale of Dart Drug Stores to a management group in a 1984 leveraged buyout.

Kroger leans on combos, will determine drug store fate

By Liz Parks

CINCINNATI — The Kroger Company says it will take at least until September before it knows the exact fate of its 891 drug store division.

Management, which announced last month that it will either sell or partly divest its drug store division, said it will take that long for Kroger executives to determine the exact value of the retail division and which of several options now before them would be the most viable.

"The first step is for us to get a feeling for the value of the division," said Paul Bernish, spokesman for the $17 billion conglomerate whose main business is supermarket retailing.

Considering options

"Then we may determine that we may not want to sell, or that we may want to sell to a number of different companies rather than sell just to one bidder, or we may spin off the drug store division as a separate company, or we may choose to sell part of the company, but keep an ownership position in the rest.

"I honestly don't know if a leveraged buyout has been considered yet, but that, too, would be in the realm of possibilities." Bernish added that no decision has been made on whether the top managers at SupeRx and Hook will be asked to transfer to the food store division.

Some security analysts have estimated that the drug store division, which consists of about 563 SupeRx stores and about 328 Hook drug

Continued on page 62

Drug retailers refocus on core biz, stress ROI

News Analysis

NEW YORK — According to Wall Street, the retail drug store industry is entering a new era in the business cycle: the era of consolidation.

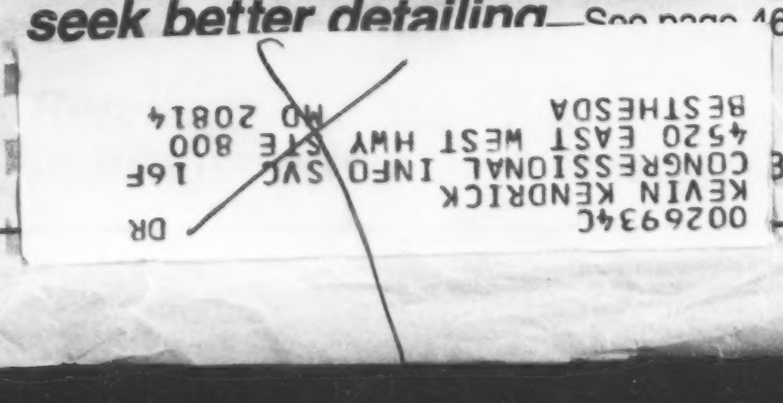
The consolidation, or "deconglomeratizing phase," as some analysts call it, is manifesting itself in the recent divestiture strategies adopted by nondrug store retailers who are choosing to dispose of their retail drug store divisions—Kroger and Sherwin-Williams are examples—and also in the divestiture by pure drug store companies of nondrug store related businesses, as Eckerd and Revco did.

See Gray, page 3

The move is part of an overall retail trend to pull away from diversifying into

Continued on page 62

DrSN *survey: Pharmacists seek better detailing* —See page 16



'Cadillac of food retailers'

Cullum steps up combo openings

By Marjorie Shaffer

DALLAS — Cullum Companies is opening the largest number of combo stores in its 50-year history, to fortify its key position in this market.

After shuttering all 12 of its California Pantry grocery stores and its stores in the Midwest, Cullum generated the cash flow this year to open four 53,000-sq.-ft. combo stores here under the Tom Thumb-Page banner. Two more combo stores are scheduled to open in Dallas by the end of the year, and about five are planned for 1987, according to Jack Sprabary, Cullum's merchandise manager.

Cullum, which rings up $1 billion a year in sales, is focusing "all its effort now on the Tom Thumb-Page combos, the Cadillac of food retailers in the Dallas area," said Dan Wewer, an analyst for Atlanta-based Robinson Humphrey, a subsidiary of Shearson Lehman Brothers. "They are trying to do the same thing in Austin with Tom Thumb-Page," he said. Plans are already under way to build a 64,000-sq.-ft. super combo store in the Austin market, where Cullum has three conventional Page drug stores and six Tom Thumb grocery stores," according to Cullum's Sprabary.

Nevertheless, plans for expansion may be dampened by the downswing in the Texas economy and the drastic weakening of the oil industry. While Dallas has not been as hard hit as oil-driven Houston, analysts said retail sales in the Dallas market have dropped.

"Same-store sales that were 5% to 7% a few years ago now tend to be flat" said analyst Wewer. "It has to be affecting Cullum."

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TOM THUMB PAGE

Cullum looks to combos

Current store count

33	Tom Thumb-Page food/drug combos
28	grocery stores
13	freestanding Page drug stores
1	Simon David upscale food/drug combo
75	*Stores total*

Source: Cullum Companies

NEWS IN BRIEF

Cos. adopt take-over defenses

SAN FRANCISCO — Amfac adopted a preferred share purchase rights plan as an antitakeover defense measure.

In a strongly worded letter to shareholders, president and ceo Ronald Sloan called the move "a prudent safeguard against the abusive tactics, unfortunately prevalent today, which squeeze shareowners. . . ."

The rights, designed to keep share ownership in current hands, are exercisable if a person or group acquires 20% or more of common stock, or announces a tender offer for 30% or more.

Amfac said the move isn't a response to any specific attempt to take over the company, which is parent of Amfac Health Care, the nation's seventh-largest pharmaceutical wholesaler.

In a similar move, Walgreen's board of directors also adopted a preferred share purchase rights plan to protect shareholders of record Aug. 21.

Peck Wolson Katz Pories

Peoples names four merchandising vp's

ALEXANDRIA, Va. — Peoples Drug Stores has promoted three merchandising executives and one importing executive in central marketing, which services 500 stores in its mid-Atlantic and Midwest divisions, announced senior vp-marketing, Fred Edwards.

Stephen A. Peck, 42, was named vp-gmm, replacing William Eagleson, who was recently appointed corporate senior vp-distribution.

Fred Wolson, 57, was named president of Peoples' King Importing subsidiary.

Gerald I. Katz, 36, was named vp-merchandising for housewares and sundries, assuming Wolson's former spot. Katz will also remain as assistant director of imports for King.

William Pories, 34, was named vp-health and beauty aids and private brands, taking Peck's former spot.

All merchandising vps will report to Peck, who reports to Edwards.

Revco promotes Jones and Carfagno

TWINSBURG, Ohio — Revco has promoted two of its senior merchandise directors to the newly created positions of divisional merchandise directors, reporting to vp, merchandising, Neil Roth.

Ellis Jones will be responsible for purchasing and marketing all pharmaceuticals, H&BA, cosmetics and fragrances.

Philip Carfagno will buy and market appliances, electronics, housewares, hardware, stationery, candy food and tobacco.

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Vol. 8, No. 18 August 18, 1986

Wonder World prototype links deep-discount H&BA, apparel

By Dave Vaczek

BOZEMAN, Mont. — Pay Less NW has linked deep discount H&BA with off-price apparel in its Wonder World prototype. The new stores will lead the chain into five new Western states this year, Pay Less officials said.

The 55,000-sq.-ft. format, unveiled here in the 190-store chain's first Montana penetration, will replace the Value Giant deep discount prototype. It will be the vehicle for eastward growth into Arizona, Colorado, Texas and Oklahoma.

There are key differences between the Wonder World Family Discount Center and Value Giant, although the new prototype is based on Value Giant in its massive consumables displays, cut carton H&BA, and gm and apparel lines carried by K mart, Pay Less's parent.

Most notably, Wonder World eliminated pharmacy to support a price-driven strategy, relying on low-margin, high-volume sales and cost containment. "A pharmacy's expensive to run. You don't start at top volume, you start at zero," a Pay Less official told *Drug Store News*.

Larger than the 30,000-sq.-ft. Value Giant, Wonder World also differs in these respects:

- Apparel pricing averages 20% to 30% below the prices of apparel in K mart, Value Giant and the standard Pay Less superstore.
- Freezers with bulk food items, warehouse clubstyle.
- Increased sku's, compared to Value Giant, in deep discounted H&BA. (Total sku's are about 20,000, compared with 40,000 in the standard Pay Less store.)
- Increased assortments in toys, stationery, automotive, housewares and sporting goods.

Pay Less president Ron Schiff said Pay Less will open as many as 12 Wonder Worlds this year, with its second and third stores in Palestine and Nacogdoches, Tex., near Dallas. They will be refurbishments of underproducing mid-sized K marts.

Schiff said the format will also be rolled out into former TG & Y department stores that Pay Less will buy in Southwestern markets, identified by a source as including Colorado, Oklahoma and Arizona.

Pay Less launched its first Wonder World deep discount prototype in a former Woolco site in Bozeman, Mont. The next few sites will be in former K marts.

The $1 billion chain bought by K mart in March 1985 has said it will expand aggressively into contiguous markets, pursuing the goal of becoming a national chain. It will open its second Montana store—a conventional unit—in Helena later this year.

The prototype includes strong seasonal merchandise, with the mix changing from deal to deal. The Bozeman store opened with high-end barbecue grills, videocassette recorders, small refrigerators and 19-in. color televisions.

"It will be the kind of place that I think is going to be fun for people to shop, because each time they come in they will see merchandise they haven't seen before," said Schiff.

Apparel here will be a mix of branded lines carried by K mart and nonbranded items bought by Wonder World's separate four-man buying staff, said Jerry Eden, the new division's apparel merchandising manager.

"We will try to sell the customer the same quality merchandise, and the same merchandise found in a K mart at as much as 50% off."

Eden will do this by buying overruns and closeouts, by making midseason purchases as he develops a full range of fixture-displayed apparel with 450 sku's, he said.

Southern Calif. Pay Less shares a wall with K mart

OCEANSIDE, Calif. — Pay Less' first store in southern California, opened July 24, makes history two ways: It's the first Pay Less store to share a wall with parent K mart, and it's the first Pay Less nameplate to appear in southern California in 10 years.

The first foray was under Pay Less Oakland, which Pay Less NW acquired in 1980.

The store here is also one of the few Pay Lesses with selling space as small as 17,000 sq. ft. The store totals 20,000 sq. ft., plus a 2,000-sq.-ft. exterior garden shop.

Plans 2 more stores

Pay Less will open two more in this town 20 miles north of San Diego—one in November and another next March.

Pay Less often goes with two prototype sizes, 31,000 sq. ft. and 23,000 sq. ft., in "unexceptional locations," a company source said.

However, the first Oceanside unit is a converted supermarket with fixed footage.

To maximize use of the cube, Pay Less went to 72-in.-high gondolas throughout the store, and 96 in. in shoes, compared to usual 54- and 60-in. heights. The raised gondolas permit the store to carry as many sku's (25,000) as a larger unit.

Gondola runs are shorter. The front run is 20 ft., followed by two 24's. In conventional-sized stores, all three runs are 28 ft. long.

Vendors cite gray-market hazards

WASHINGTON — Anti-gray market H&BA manufacturers urged Congress to reject pending legislation that would allow drug chains to continue marketing unauthorized "parallel imports" of brand-name drugs, toiletries and other foreign-made products.

In testimony before the Senate International Trade Subcommittee, Robert Miller, Charles of the Ritz president, charged that gray market versions of his firm's Yves Saint Laurent Beaute cosmetics and other H&BA imports may pose health risks to U.S. consumers.

"Gray market products that are ingested or applied, such as food, cosmetics, fragrances and pharmaceuticals, may be prepared differently for foreign markets" and therefore may "not comply with United States ingredient labeling requirements," he told Congress.

"Others, like gray market Procter & Gamble detergent, may lack ingredients essential to proper performance under water conditions" in this country, while "still others may contain ingredients prohibited by Federal law because they may cause severe allergic reactions or may be carcinogenic," Miller charged.

Found dyes banned in U.S.

Testifying on behalf of the Coalition to Preserve the Integrity of American Trademarks (COPIAT)—a group of multinational manufacturers seeking to curb competition from lower-priced "parallel imports" of their own foreign-

Continued on page 61

FINANCIAL

Pay 'n Save keeps to expenditure schedule

SEATTLE — Despite legal action by Pic 'N Save, which seeks to halt implementation of the "Zimmerman merchandising strategy," Pay 'n Save's capital expenditure program is proceeding on schedule.

According to the prospectus for an expanded security offering (from $275 million to $352 million), Pay 'n Save spent $4.4 million for the six months ended May 3 to fixturize its 350,000-sq.-ft. Auburn, Wash., distribution center (DC). The drug chain also spent $432,000 to improve its management information systems (MIS).

For the balance of the current fiscal year, Pay 'n Save plans to spend an additional $18 million on its distribution facilities and $3 million in store remodeling.

Pay 'n Save will add 250,000 to 350,000 sq. ft. to its present Auburn, DC by April 1987. An additional 300,000 sq. ft. may be added if needed. (Pay 'n Save has space for a total of one million sq. ft. at its Auburn location.)

In the interim, Pay 'n Save is temporarily leasing 300,000 sq. ft. of warehouse space.

Need for more space

One reason for the need for additional space is the nature of the "Zimmerman merchandising strategy," which is centered around the procurement of low-priced merchandise—usually imports, closeouts and overruns. That merchandise is usually purchased in large quantities, and the low per-item dollar value means that more space is needed per dollar of inventory investment. Buying more goods direct also necessitates more storage.

Due to the significantly higher inventory levels, Pay 'n Save plans to spend approximately $20 million on inventory buildup for the balance of the fiscal year, ending in November. The prospectus adds that "higher inventory levels may result in shorter payment terms to certain vendors."

Currently, Pay 'n Save's largest supplier is Northwestern Drug, a wholesale subsidiary that supplies 18% of Pay 'n Save's merchandise (pharmaceuticals, H&BA, some gm and seasonal items).

The prospectus notes that no other supplier provided Pay 'n Save with more than 5% of its total merchandise purchases for the fiscal year ended Nov. 2, 1985.

In discussing Bi-Mart, the discount drug subsidiary, the prospectus says that Bi-Mart purchased 8% of its total inventory from Northwestern last year (mainly Rx, OTC-H&BA) and expects to continue purchasing these products from Northwestern.

Warehousing speculation

However, the prospectus did not specify that Pay 'n Save stores would continue to buy from Northwestern. This leads to speculation that under the new DC arrangement, both Rx and H&BA may be warehoused by Pay 'n Save instead of Northwestern. One clue to support this viewpoint: A Northwestern exec told *Drug Store News* recently that Northwestern is operating at capacity and would welcome space-relief.

Pay 'n Save's principal focus in modernizing its MIS systems is a new computerized warehousing system designed to track the flow of goods from the time they are purchased until they are received at the stores. The system provides daily sales and gross margin information, broken down as to vendor, store and type of merchandise. It also provides buyers with up-to-date reports on item movement, profitability, and margin contribution. Another area now being developed is financial systems to generate timely reports for accounts payable, general ledger and other functions.

Pay 'n Save operates 107 drug stores, in Washington, Alaska, California, Montana, Idaho, Wyoming and Hawaii. Bi-Mart operates 33 stores in Washington and Oregon.

McKesson reports gains in 1st-qtr. revenues, net

SAN FRANCISCO — McKesson Corp., propelled largely by performance in its drug and health care group, reported an approximate 25% gain in first-quarter net income and revenues in the period ended June 30.

The nation's largest drug wholesaler, estimated to hold a 25% share of the U.S. drug distribution market, expected revenues to reach approximately $1.71 billion in the period, up from $1.37 billion, as net income rose to about $21.2 million, up from $16.9 million, in the quarter.

Sales contribution from the drug and health care group was $1.1 billion, a 31% gain over the prior year's comparable quarter. Operating profit in this division rose 28% to $27.4 million, Tom Field, president and new ceo, told shareholders at the recent annual meeting.

These figures follow 65% sales gains and 48% profits gains in fiscal 1986, and include contributions of Spectro and S-P Drugs and Mass Merchandisers Inc., acquired last year for $380 million, and the effect of interest costs associated with those purchases.

Another top McKesson official said at least half of the improvement in the drug group's first quarter comes from "strong results of our ongoing businesses," excluding the acquisitions.

Field said that although McKesson is digesting its recent acquisitions, it wouldn't rule out strategic opportunities, perhaps in retail distribution or office products areas.

Ketchum earnings down, sales up

NORWALK, Conn. — Ketchum & Co., one of the top 15 drug distributors in the country, reported lower earnings and record sales for the fiscal year ended April 30.

Full-year earnings fell to $200 million, down from $643 million in the prior year, as sales rose to $304 million, up from $274 million the year before.

A fourth-quarter loss magnified the fiscal year earnings slide. Ketchum lost $160 million in the year's final quarter, compared with earnings of $157 million in the comparable quarter a year earlier.

President and coo Robert J. Hoyt attributed the fourth-quarter loss to several factors: a peaking of internal costs associated with a computer systems upgrade, continuing large premiums associated with insurance, and higher interest costs because of larger working capital requirements and the funding of capital assets.

He believes such spending will position Ketchum for future growth.

Name	Symbol	STOCK PRICE From 07/18/86 - 07/30/86 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct.	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	67.25	61.75	62.25	-4.75	-7.09	71.25	53.13	4.11	-1.33 q	-23.8	14.6	.84	1.3
Begley Co	BGLY	22.50	22.50	22.50	-.50	-2.17	23.50	15.50	1.27	.01 f	.8	17.7	.72	3.2
Big B	BIGB	17.88	16.88	16.88	-.63	-3.57	18.75	12.63	.61	-.04 q	-5.7	25.6	.00	.0
Drug Sys	DRGS	8.25	7.25	7.25	.13	1.75	8.25	3.75	-.43	-.78 f	-100.0	NE	.45	6.2
Fay's Drug	FAY	9.75	8.88	9.63	-.13	-1.28	11.75	8.00	.20	-.50 q	-87.7	NM	.20	2.1
Genovese Drug	GDX	14.38	13.25	14.38	.13	.88	15.00	9.63	.73	-.17 q	-19.1	20.0	.20	1.4
Longs Drg Strs	LDG	34.75	31.25	32.38	-2.38	-6.83	38.75	24.75	1.74	-.19 q	-9.9	18.7	.76	2.3
Medicare Glaser	MGCO	4.75	4.75	4.75	.00	.00	5.00	3.50	-.20	-.25 f	-100.0	NE	.00	.0
Medicine Shoppe	MSII	30.00	29.25	29.75	.00	.00	32.00	21.00	.84	.14 s	18.2	32.7	.00	.0
Perry Drug	PDS	19.00	18.13	18.38	.13	.68	20.88	12.75	.98	.14 *	16.7	18.8	.22	1.2
Revco Drug	RDS	36.00	33.25	34.13	-1.25	-3.53	39.88	24.25	1.72	.66 f	62.3	19.8	.80	2.3
Rite Aid Corp	RAD	33.00	30.75	32.75	1.25	3.97	35.50	21.50	1.52	.09 q	5.6	19.4	.58	1.8
Thrifty Cp	TFD	38.63	36.75	37.25	-.25	-.67	40.38	18.13	1.60	.10 n	6.4	22.4	.64	1.7
Walgreen Co	WAG	38.63	34.88	36.13	.50	1.40	39.50	22.50	1.53	.14 n	9.2	21.6	.50	1.4
Wholesaler's transactions														
Alco Hlth	AAHS	22.25	21.25	21.25	-.88	-3.95	25.38	12.75	1.10	1.19 s	NC	17.9	.00	.0
Bergen Bruns	BBCA	23.13	22.25	22.50	-.50	-2.17	37.25	21.88	1.82	-.26 n	-14.4	14.5	.32	1.4
Bindley Wstn	BIND	12.25	11.00	11.25	-.63	-5.26	12.50	7.75	.79	.10 q	13.2	13.1	.00	.0
Cardinal Distrb	CDIC	22.00	20.50	20.75	-1.25	-5.68	25.25	14.22	1.36	.44 f	47.8	15.3	.08	.4
Durr Fillauer	DUFM	14.75	12.13	12.13	-3.00	-19.83	16.75	9.25	.78	-.02 s	-2.5	15.3	.16	1.3
Ketchum	KCH	18.63	15.63	18.63	2.00	12.03	23.25	14.75	.56	-.01 n	-2.2	42.3	.00	.0
McKesson Cp	MCK	66.25	60.13	63.50	3.00	4.96	66.25	44.88	3.96	.37 q	10.1	15.7	2.56	4.0
Moore Med	MMD	22.88	22.13	22.75	.75	3.41	25.00	15.75	1.45	.29 q	25.7	16.0	.00	.0
Owens & Minor	OBOD	15.63	14.13	14.25	-1.13	-7.32	20.25	13.38	1.14	-.03 s	-2.8	13.6	.30	2.1
Manufacturer's transactions														
Abbott Labs	ABT	51.38	48.25	49.25	-1.25	-2.48	55.00	26.44	1.94	.32 s	17.8	23.2	.84	1.7
Am Home Prod	AHP	89.25	85.13	86.13	-1.50	-1.71	92.38	54.75	4.70	.40 s	8.8	17.5	3.10	3.6
Baxter Travenol	BAX	18.50	17.75	18.38	.13	.68	21.25	12.38	.85	.43 s	238.9	30.1	.40	2.2
Block Drugs Co	BLOCA	26.50	25.50	25.75	.25	.98	26.50	18.69	1.84	.14 f	8.2	14.0	.50	1.9
Bolar Pharm	BLR	28.63	24.13	24.50	-4.25	-14.78	32.88	12.00	.71	.17 q	26.2	29.9	.05	.2
Bristol-Myers	BMY	83.75	76.38	78.88	-5.75	-6.79	88.50	53.63	3.86	.24 s	6.6	20.3	2.20	2.8
Carter-Wallace	CAR	76.50	69.63	73.00	3.50	5.04	76.50	32.38	3.63	1.03 q	35.9	18.7	.80	1.1
Forest Labs	FRX	18.38	17.13	17.75	.25	1.43	20.38	10.56	.49	.12 f	32.4	36.2	.00	.0
ICN Pharm	ICN	20.63	16.63	17.63	.25	1.44	20.63	8.50	-2.10	-2.20 s	-100.0	NE	.00	.0
Lilly Eli Co	LLY	80.00	73.88	76.00	-.50	-.65	83.50	40.50	3.69	.39 s	11.1	19.4	1.80	2.4
Lee Pharm	LPH	38.63	28.25	34.88	5.00	16.74	38.63	5.63	.40	1.62 n	450.0	17.6	.00	.0
Leiner P Nutri	PLIN	20.00	18.75	19.75	.25	1.28	21.00	8.25	.81	.03 f	3.8	24.4	.00	.0
Marion Labs	MKC	43.00	39.25	41.50	1.00	2.47	49.63	15.63	.70	.23 f	48.9	59.3	.20	.5
Merck & Co	MRK	106.38	100.63	105.25	3.25	3.19	106.38	51.75	3.79	.76 s	21.7	24.7	2.20	2.1
Morton Thiokol	MTI	35.38	33.25	34.88	.38	1.09	40.50	30.00	2.50	-2.66 n	-67.9	27.7	.70	2.0
Mylan Labs	MYL	23.00	18.00	18.75	-3.75	-16.67	27.13	13.50	.86	.38 q	67.9	19.9	.10	.5
Newport Pharm	NWPH	5.88	4.88	5.88	.38	6.82	14.50	4.88	-.08	-.13 f	-100.0	NE	.80	13.6
Par Pharm	PARP	18.75	16.00	16.00	-1.00	-5.88	20.75	14.25	.47	.01 s	2.0	31.4	.00	.0
Pfizer Inc	PFE	67.50	64.00	66.00	-.38	-.57	72.88	43.75	3.44	.39 s	11.9	18.0	1.64	2.5
Robins, AH	QRAH	11.13	9.13	9.50	-1.50	-13.64	15.63	5.50	2.53	20.85 s	NE	3.5	.00	.0
Rorer Group	ROR	38.25	35.63	36.00	-2.38	-6.19	47.00	32.50	1.72	5.00 s	240.4	5.1	1.12	3.1
Scherer RP Co	SCHC	18.38	16.38	17.63	1.25	7.63	18.38	11.50	-1.23	-.80 f	NE	NE	.32	1.8
Scher Plough	SGP	86.50	80.75	82.13	-1.13	-1.35	88.00	45.00	3.77	.44 s	12.3	20.4	1.80	2.2
Squibb Corp	SQB	121.50	113.00	116.50	-1.00	-.85	121.50	65.13	4.20	.86 s	22.3	24.7	2.00	1.7
Sterling Drug	STY	49.88	46.50	48.25	1.50	3.21	49.88	29.50	1.83	-.48 s	-19.6	24.5	1.32	2.7
Syntex Corp	SYN	70.25	65.50	66.63	-2.63	-3.79	72.75	28.88	4.65	3.31 n	160.7	12.4	1.20	1.8
Thompson Med	TM	14.13	13.25	14.00	.13	.90	21.00	11.75	1.18	-.44 s	-29.1	13.1	.40	2.9
Upjohn Co	UPJ	88.63	85.00	87.00	-1.00	-1.14	103.75	50.38	3.29	.93 s	34.4	24.0	1.52	1.7
Warner-Lambrt	WLA	60.25	57.75	58.75	-.38	-.63	63.13	33.75	-4.05	-6.15 s	-100.0	NE	1.56	2.7
Zenith Labs	ZEN	13.13	9.25	9.75	-2.63	-21.21	18.31	8.69	.73	.52 q	216.7	12.8	.05	.5

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISING TRENDS

Rite Aid aggressively merchandises its private-label oils and chemicals such as antifreeze next to fast-turning brands in its Camp Hill, Pa., store.

Mass endcap displays of oils, hand cleaners and other engine fluids give a promotional feel to twin gondola displays of automotive at Fay's, Schenectady, N.Y.

Peoples, Hanover, Md., shows broad variety of external car care items in a high-impulse, quick pickup endcap near pharmacy, where shoppers are likely to browse for such convenience items.

Drug stores are the nation's third fastest growing channel for automotive parts sales, according to auto aftermarket industry figures.

The growth pace in the number of drug stores selling auto accessories trailed only auto parts stores and repair shops in the 1980's, while exceeding levels at six other classes of retail trade.

That brightens the picture in auto, which chain sources said performs steadily but remains the smallest merchandise department in drug stores, accounting for less than 2% of the total sales.

Nevertheless, chains such as Rite Aid, Fay's and Perry devote 40 ft. and more in their traditional drug store formats to automotive, applying lessons learned in their specialty automotive chains: Rite Aid's ADAP, Fay's Wheels and Perry's Auto Works.

Peoples gives relatively less space to auto, but highlights its run with an endcap near heavily trafficked pharmacy in one of its newer stores.

Perry drives for higher auto product margins

PONTIAC, Mich. — Perry Drug Stores is using a new automotive department format to heighten exposure of its high margin auto accessories.

By adding a second service counter in as many as 60 auto parts sections in selected drug stores, Perry will improve customer service and traffic patterns, said David Peterson, Perry's corporate vp-merchandising.

Perry has so far installed the new formats in 30 auto departments, the 2,500-to 3,000-sq.-ft. shops that are linked under one roof with Perry drug stores, although accessible through separate entrances.

Peterson said the new format will take over what is currently backroom space, once a wall is knocked out to build the service counter.

Extra space in demand

The extra space is in demand so Perry's drug division can benefit from the knowledge gained in its 5,000-sq.-ft. specialty Auto Works stores, Perry's freestanding 280-store chain, which is spearheading its major push into the auto parts market. The existing drug store departments carry the same number of sku's as a typical Auto Works unit.

"What we're doing is like putting 40 lb. of groceries into a 20-lb. bag," said Peterson of the auto departments, which carry all the model-specific hard parts of the Auto Works stores. Narrower aisles and higher gondolas help make the broad assortment possible.

The average auto parts department will still be staffed by an average of two-and-a-half persons. Staffing a second counter of accessories has already boosted flat sales at some units. "We found that there were true benefits in sales pickup," said Peterson, who declined to give specific figures.

He noted that many independent automotive specialty retailers have been lured into the business by relatively low start-up costs, such as the local Murray's auto parts chain. With $50,000 of start-up capital required, independents are "sprouting up on every street corner," Peterson said.

See **Perry,** *page 16*

DIYers accelerate auto dept. growth

Drug stores will broaden offerings in safety, comfort, and automotive sound product categories, in response to do-it-yourselfers' desires to control their destiny.

Cleaners and chemicals will remain the staples. But drug stores should push further into products such as seat covers, sound systems and brake lights in their quest for high margin sales, while avoiding hard lines that require heavy inventory investments and service expertise, said Robert McMinn, senior vp, Automotive Parts and Accessories Association, in an interview with *Drug Store News*.

Survey findings

The number of drug stores carrying safety, comfort and sound products increased from 43% in 1980 to 51% in 1983, the APAA found in its most recent survey. Those stores carrying chemicals and cleaners grew from 98% to 99%. In comparison, stores carrying engine parts, such as spark plugs and plug wires, decreased slightly to 50%, McMinn said.

The do-it-yourselfer will continue to drive the aftermarket, even though vehicles are becoming increasingly complex, and extended service intervals make maintenance a less frequent duty.

"Despite the many forecasts of his imminent demise, we feel that the 'doer' will be alive and well, buying well into the next century," said McMinn.

'Doer' will thrive

The "doer" will thrive because the major menu of repair projects will remain intact, including oil changes, shock absorber and muffler replacements, waxing and polishing, and anti-

See **DIYers,** *page 16*

More drug stores sell auto parts

(Per cent change in retail stores selling auto products from 1980 to 1983)

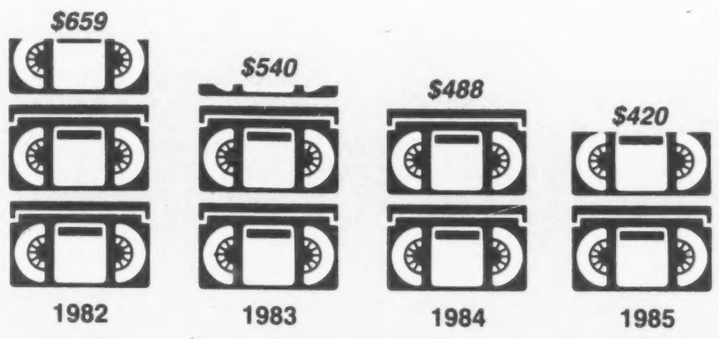
Auto parts stores	33%
Repair shops	17
Drug stores	12
Hardware stores	2
Discount stores	1
Department stores	(7)
New car dealers	(10)
Service stations	(13)
Tire stores	(18)

Most recent figures available
Source: Automotive Parts and Accessories Association

MERCHANDISING TRENDS

Blank video cassettes will grow briskly, thanks to higher VCR sales fueled by falling prices

(Average VCR price paid by consumers)



(Source: Electronic Industries Association, Consumer Electronics Group, April 1986)

VCRs' household penetration will grow 10% annually through the decade, from the level of 35% penetration in 1985. Blank video cassette sales, which have increased tenfold since 1980, will keep pace with the hardware movement, with the average VCR household buying nine cassettes a year. (Source: EIA.)

Drug stores heighten promos to increase videotape shares

Drug store retailers are promoting blank videotapes more to maintain category growth, in the face of flat prices and the increasing number of outlets selling tapes.

In many cases, promotions don't erode margins because they center on manufacturers' rebates direct to consumers. Rebates are fast disappearing, however, causing retailers to use other vendors' promotions, such as buy-three-get-one-free offers and coupon discounts on nonvideotape products, like audio cassettes and film.

Harco Drugs, for instance, has reinforced its usual twice-a-month tape flier ads, with a recent television promotion with Polaroid. It offered a $1 manufacturers' rebate on a $4.99 standard-grade tape.

The campaign counteracted a Wal-Mart everyday promotion of 3M and Polaroid tapes at two for $9, said Harco buyer Keith Connell.

Sales boosted by ads

The ads boosted sales tenfold, turning 30,000 tapes in the month, making Harco's 1986 tape sales already 50% above 1985, Connell said.

Harco did that when it saw declining sales per ad, an increasing occurrence.

"Many retailers have complained that sales per ad are not as good as they used to be," said Tom Zohn, consumer video market development manager for 3M, maker of Scotch brand tapes.

The lessened impact of advertising has spurred new promotional activity, with many chains moving to once-a-week fliers, for example, from twice-a-month promotions, said Zohn.

The dampened response is primarily due to a threefold increase in the number of outlets since 1983, led by increasing participation from supermarkets. Zohn said outlets selling tapes numbered 135,000 in the 1986 May-June period, compared with 105,000 outlets in the same period in 1985 and 79,000 the year before that.

Blank tapes shifted

To gain a video image, Peoples will soon move blank videotapes from behind the photo counter onto a new 4-ft. display between the front end and consumer electronics in its mid-Atlantic and Midwest regions. Tapes will be near 4-ft. of storage cabinets and cleaning accessories, using space now devoted to $1 playing cards.

"Why not sell a $5 to $6 item instead, that gives an image, too," said Bill Pantuso, marketing operations manager.

The stabilization of prices is also forcing retailers to work harder, since the excitement generated by the annual price declines—to half the 1983 level—is no longer a factor in spurring sales. Since January, standard-grade VHS format tapes have held in the $4.59 to $4.99 range.

Vendors can't afford any more price cuts due to the increasing costs of buying and building overseas, as the dollar has weakened against the yen by 35% from its high of one year ago, said Zohn.

"Reliance on the ability to cut prices to get market share is no longer an option [for vendors]," he said.

The cost crunch has caused virtually all major vendors to

See **Videotape,** *page 16*

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MERCHANDISING TRENDS

Multipack videotapes may raise profits

Continued from page 14

eliminate the $1 rebate, which retailers said has been a staple promotional vehicle in generating high volume.

Since Polaroid, for example, is discontinuing the $1 rebate that Harco used so successfully earlier this year, Harco will employ a buy-three-get-one-free promotion in the fall as part of its aggressive promo program, Connell said.

Multipacks introduced

Vendors are introducing new multipacks to stimulate sales per purchase. 3M, for instance, will launch in November a 3-pack of high-grade units, and a 4-pack of standard grade, each at $19.99. They will replace its standard-grade 5-pack at $25 to maintain price under the $20 ticket it believes most attracts sales.

The multipack's advantage of higher profit dollars per sale is helping some retailers recover from flattened sales volume.

"Overall, it takes away the need to be real sharp with the unit price and allows the retailer a little more profit," said one buyer for a Midwestern chain.

But others believe customers aren't ready for the higher ticket. "We don't really feel that the majority of our sales are going to be in multipacks," said Connell at Harco, which has carried the JVC 3-pack among an assortment that includes BASF and Maxell.

Bartell Drugs, the 27-store Seattle, Wash., chain, similarly is avoiding large exposure in multiple-count units, after testing 2-packs by Kodak and Maxell, a spokesman said.

"The cost is more than we think customers want to spend," said a Bartell spokesman, who said the chain has continued experiencing strong sales growth in 1986.

Bartell follows a typical drug store approach of offering a wide selection among the top name brands, even though customers perceive tapes as commodity items. It carries Kodak, RCA, Fuji, Polaroid, Maxell and 3M in the VHS format, with some in Beta format.

"There are too many brands and labels out there now. The perception of most customers is: a tape is a tape is a tape—as long as they recognize the name," the spokesman said.

"But you try to offer variety so at least they feel they're given a choice," he said.

DIYers spur auto growth

Continued from page 13

freeze use.

Also, there are more electronically literate car owners.

"The kids who are being raised on Atari games and computers certainly can cope with electronic diagnostic equipment," said McMinn.

"The American handyman and the automotive subspecies known as the do-it-yourselfer are adaptable, highly motivated and determined to survive, come what may."

Drug stores should not be strongly affected by domestic sales of foreign cars—which accounted for 18% of the fleet as of January 1985—since most items they carry are not model-specific.

As the new car market matures, sales should slow. However, the fleet will grow older, requiring more maintenance products.

The APAA is projecting significant growth in the aftermarket through the decade, with mass merchandisers, specialty automotive chains, and large retail chains leading the way, at the expense of service stations, independent garages, and new car dealers.

Perry benefits by volume buying

Continued from page 13

Perry's rapid growth, marked by a 57% increase in auto parts sales from 1984 to 1985, has allowed the Perry automotive division (including the specialty stores and drug store departments) to benefit from volume purchasing in the auto parts industry's elaborate multitiered pricing structure.

By buying most products at the manufacturer level (supplemented by rack jobbers), Perry can offer retail prices that are lower than what the local gas station must pay to buy through a distributor. Gas stations are among Perry's retail customers, Peterson said.

As the auto works stores continue rolling out at a brisk clip, they are placed adjacent to drug stores to gain leasing and advertising efficiencies. When an Auto Works moves in, the auto shops and Perry's third auto parts format—its mini-auto departments—are phased out in the drug stores.

Perry devotes 42 ft. to the mini-departments, which carry the traditional mix of chemicals and cleaners.

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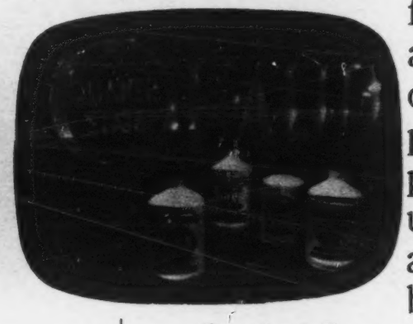

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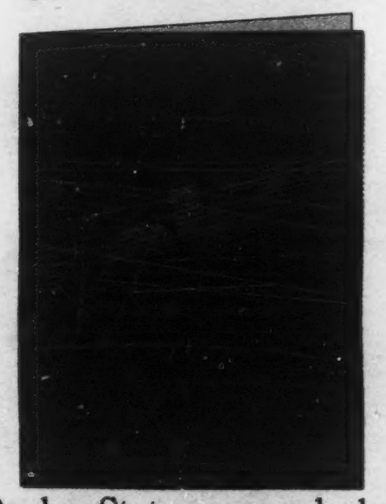

a Quaker State prepared advertisement from our Promotional Suggestions Workbook featuring Quaker State Motor Oil, Filters and/or Antifreeze you can get 125% of the space and time cost to the limit of your accrued fund. Or on multi-product ads, get back 100% of Quaker State's proportionate share.

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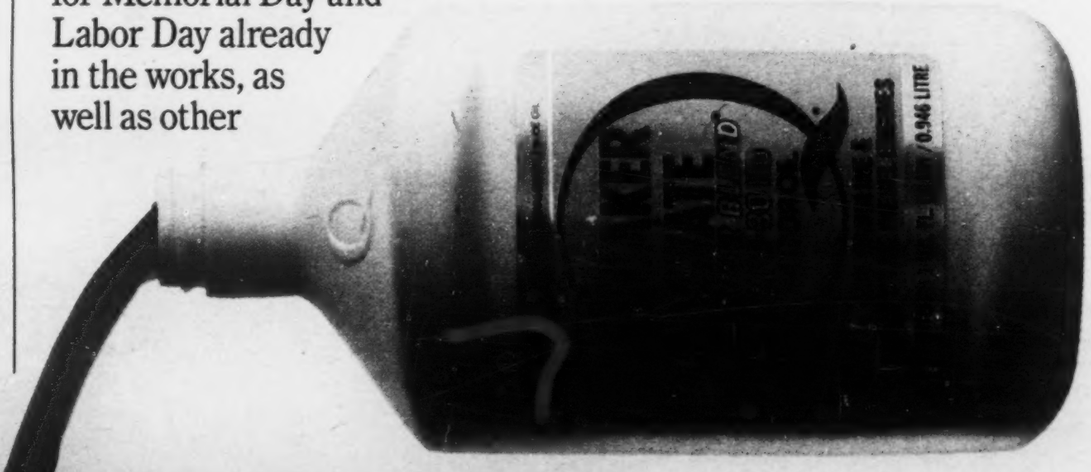

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Top 10 manufacturers whose drugs are diverted			
Company	Wholesale dollars	Company	No. of entries
1. Marion	$1,300,000	1. Upjohn	30
2. Upjohn	934,000	2. Bristol-Myers	15
3. Pfizer	784,000	3. Marion	10
4. Parke-Davis	780,000	4. Squibb	10
5. Squibb	776,000	5. American Home Products	8
6. Bristol-Myers	741,000	6. Procter & Gamble	8
7. Carter Wallace	686,000	7. Schering Plough	8
8. Johnson & Johnson	633,000	8. Abbott	6
9. Eli Lilly	515,000	9. Eli Lilly	6
10. American Home Products	504,000	10. Pfizer	6

Source: House Oversight and Investigations Subcommittee

Reimported drugs' value down

WASHINGTON — The value of reimported American-made drugs—a major supply source of the domestic Rx diversion market—topped $10 million during a six-month period ended last March, but has sharply declined in recent months, according to new figures released by the House Investigations Subcommittee.

Attention over the past year surrounding drug diversion from Congressional hearings and the FBI's Atlanta "pharmoney" drug diversion prosecutions "undoubtedly drastically reduced the volume of reimportations," subcommittee investigator David Nelson told House members.

Included in the report is a new set of Food and Drug Administration figures that show that during March, the value of reimported American-made pharmaceuticals had dropped to $100,000 from $2.5 million last September, at the start of the diversion crackdown.

However, Nelson said the FDA's statistics probably understate the value of drug reimports due to false price reporting by diverters to Customs officials.

The report—which was released late last month during a new round of Congressional hearings on Rx diversions—also contains some harsh criticism of FDA port inspectors, thus adding ammunition for House Investigation Subcommittee chairman John D. Dingell's (D-Mich.) antidrug diversion legislation, which was unveiled earlier this year.

In particular, the findings bolster support for a provision in Dingell's bill to ban the reimportation of U.S.-produced pharmaceuticals that have been exported and then re-enter the United States as "American Goods Returned."

Ohio Rx board bars Tri-State for diversion

WASHINGTON — The Ohio State Board of Pharmacy revoked the license of Tri-State Pharmaceutical and levied a record $2 million fine against the Cincinnati-based drug wholesaler charged with a variety of illegal Rx diversion offenses.

At the same time, the board issued more than $150,000 in penalties against 27 retail pharmacists as a result of the state's widespread investigation of illegal drug diversion.

In testimony during the latest round of House Investigations Subcommittee hearings on prescription drug diversion late last month, Franklin Z. Wickham, Ohio State Board of Pharmacy executive director, revealed that the board has issued 89 actions against pharmacists, wholesalers and retailers. They were accused of dispensing unapproved drugs, physician's samples, birth control products marked "for clinic use only," prescription drugs in plastic bags, drugs intended for use only in hospitals, and repackaged brand name medications.

The Ohio board investigation uncovered Eli Lilly's Keflex capsule samples repackaged in bottles and sold at the retail level; Mead Johnson's Colace capsules kept in rusty bottles by unscrupulous diverters who then repackaged the capsules for sale; and McNeil's Parafon Forte and Stuart's Sorbitrate marked as samples.

Among the board actions taken in Ohio against "terminal distributors of dangerous drugs."

- A two-year probation to four different Drug Emporium stores and a $285,000 fine to a fifth Drug Emporium.
- A two-year probation and $1,000 fine to a Cincinnati Drug King.

PDS says Orudis hits $1M sales per month

PHOENIX — Pharmaceutical Data Services, a division of McKesson, reports that Orudis (ketoprofen), approved earlier this year for the treatment of osteoarthritis and rheumatoid arthritis, is chalking up over $1 million (at acquisition cost) per month in U.S. pharmacy sales.

The nonsteroidal anti-inflammatory, the first antiarthritic product to emerge from American Home Product's pipeline, followed the approval of Johnson & Johnson's Suprol, another NSAID approved as an analgesic. The approval of these drugs marked the first time in nearly four years that the FDA cleared such agents for U.S. marketing.

According to PDS, Orudis sales now are outstripping Suprol sales. In May, the last month for which data is available, Orudis rang up $1.2 million in at-acquisition-cost sales, up from $790,000 in April. In contrast, Suprol sales were $860,000 in May, down from $953,000 in April. Likewise, total prescriptions for Orudis were 71,000 in May, up from 49,000 in April. But Suprol total scripts have dropped from 89,000 in April to 79,000 in May.

Wyeth, the division of American Home Products that is marketing Orudis, earlier said that it hoped to ring up about $30 million in the product's total retail sales for the year.

NEWS CLIPS

FDA head: Patent law has bettered generics

WASHINGTON — Food and Drug Administration Commissioner Frank E. Young enthusiastically told Congress that the two-year-old patent restoration and human generic drug law has helped to promote both competition and lower prices in the development of generic drugs.

The FDA chief told the lawmakers that the $3,200,000 Congress appropriated for the law back in 1984 has "been more than paid back to the public both in terms of the availability of safe and effective generic products and in incentives to drug innovation."

Under the patent term restoration provision of the law, manufacturers of pioneer drugs are able to recapture at least part of the patent life of the drug that was lost to lengthy FDA premarket approval processes.

The abbreviated new drug application provision streamlines the approval process for generic equivalents, thereby allowing the generic products to reach the market earlier.

Young said that "sound public policy demands linkage of the two concepts in order to encourage competition and lower prices through the development of generic drugs and at the same time foster research for new products through patent term restoration."

Additionally, Young urged the senators to bring veterinary drugs under similar ground rules by enacting pending ANDA/Patent Restoration legislation covering these pharmaceuticals.

Young said that the "costly" and "time-consuming" studies that animal drug makers must now go through "is scientifically unnecessary and ethically questionable because it causes needless use and sacrifice of experimental animals."

Ibuprofen products set for exclusivity expiration

On Sept. 24, the exclusivity rights for marketing ibuprofen will end. That means that Nuprin and Advil, marketed by Bristol-Myers and American Home Products, respectively, will not be the only ibuprofen products on the market. Both products' patents are held by the British pharmaceutical company Boots.

In fact, by October the shelves should be flooded with a plethora of new ibuprofen. Upjohn, which makes prescription Motrin and has a marketing agreement with Bristol-Myers to distribute Nuprin, has already introduced Haltran, which it is positioning for the relief of cramps.

And McNeil will launch its over-the-counter ibuprofen, Medipren, in tablets and caplets in late September. Supported by a $30 million ad budget, McNeil reportedly will position the product as coming "from the makers of Tylenol."

A host of generic drug companies will also enter the fray. Par, Barr, Danbury and Chelsea generic drug companies have all received FDA approval for generic ibuprofen. Par, based in Spring Valley, N.Y., is the only drug company that will supply ibuprofen in all five prescription and nonprescription strengths, according to President Perry Levine. It recently received FDA approval to manufacture and market the drug in 800-milligram prescription strength doses.

Ibuprofen currently controls about 6% of the $1.6 billion analgesic market, according to financial analysts. It was the first over-the-counter pain reliever to be introduced in almost 30 years. However, the product did not reach the 15% to 20% market share most analysts had predicted when it was first marketed.

FDA urged to loosen package language rules

ROCKVILLE, Md. — Over-the-counter drug industry leaders are pressuring the FDA to abandon its proposal to permit only officially approved language in a product's statement of identity.

Passage of such a proposal would result in "consumer confusion" at retail pharmacies through "arcane" language appearing on the principal display panel of an OTC product, Proprietary Association president James D. Cope told the FDA earlier last month.

OTC industry officials warned the agency that the proposal would undermine changes made two months ago through the FDA's so-called "exclusivity" policy.

Under the "exclusivity" changes, OTC drug makers are able to use their own words when stating a product's indication on the labeling. These changes were strongly backed by proprietary drug industry leaders on grounds that they would allow manufacturers to describe a product with truthful and nonmisleading language understandable to ordinary consumers.

The new proposal advanced by the agency would require an OTC's statement of identity to include general pharmacological categories or the principal intended actions of the drug appearing in the final monograph.

SmithKline Beckman explains lower earnings

PHILADELPHIA — SmithKline Beckman reported a 14.5% second-quarter increase in sales, but only a negligible 1.6% rise in the company's net profit.

SmithKline's president, Henry Wendt, cited several reasons for the slump in earnings performance.

He said that the $10 million reintroduction of Contac, the U.S. introduction of once-a-day Tagamet, field force expansions in the company's ethical pharmaceutical and eye care business and expenses associated with the consolidation of its U.S. pharmaceutical R&D operations in Upper Merion, Pa., all contributed to the lower earnings.

"We will continue to invest in advertising and promotion, particularly in the third quarter, to re-establish this valuable product and support our Consumer Products franchise," said Wendt in the company's financial report.

According to Wendt, the increase in sales, up 14.5% for the quarter, was "aided by Tagamet, introductory sales of Contac, a recent acquisition in the eye care business [American Medical Optics], and the positive effect of stronger foreign currencies."

Tagamet sales rose 12% in the United States and 17% worldwide.

Manufacturers blamed

Rxers call for better detailing: DrSN study

SPECIAL REPORT

NEW YORK — Pharmacists continue to complain that manufacturers are not giving them enough information on the drugs they dispense, despite a new study that shows the manufacturer doing a fairly good job of making detailing visits.

According to the 1986 *Drug Store News* Nationwide Pharmacy Survey on detailing, 50% of the pharmacists polled reported they see a detail person once a month or more, but are not happy with the amount of information they are receiving with each visit.

In 7 out of 11 areas of information (listed in *Table 1*), pharmacists said they are not receiving enough information. Additionally, once again this year, pharmacists said they want a more balanced, objective analysis of the products being presented.

Low expectation areas

Some areas of information where expectations are particularly low include warnings about possible adverse reactions, warnings on possible drug interactions, a listing of the product's competitive disadvantages and information about why the cost of the product is justified.

Looking at store visitations, independents receive significantly more frequent visits than do chain pharmacists.

A major reason for this is that many chain operations will only permit detail people to visit central buying offices. They do not allow them to call on individual stores.

Asked how often they would like to see a detail person, the majority of pharmacists (53%) said they would like visitations once a month or more, and nearly one-third (30%) desire a visit at least once every two months. The desire to see a detail person was higher among chain pharmacists than independents.

Overall, satisfaction with the visits correlated to frequency. Over half (55%) of the pharmacists are satisfied with their current visitation schedule. More than a quarter (28%) said they would like more frequent detail visits, while 17% said they want to see a detail person less often.

Reasons for seeing reps

Respondents were asked to give reasons for wanting to see manufacturers' reps. The two major reasons were to have the detail person provide information such as updates on new and existing products and to expedite return of unsalable drugs. Not surprisingly, those who wanted to be visited once every two months or once every 3-6 months were somewhat negative with answers such as, "It's a sufficient amount of time for pharmacists' needs," or that they were "too busy to see [detail people] more frequently."

Unsalable merchandise is generally sent back to a warehouse at chain locations, which explains why chain pharmacists did not give this high priority as a reason for seeing detail people. Only 24% of this group picked seeing a salesman to return merchandise as an important factor, while 44% of the independents said it was important to them.

Table 1

Information pharmacists want to receive from manufacturers' reps

	Would like to receive		Currently receiving	
	1985	1986	1985	1986
Warnings about possible adverse reactions	86%	83%	35%	38%
Warnings on possible drug interactions	85	84	22	26
Instructions for advising patients on how to use the product	80	83	57	57
Information about how this product is unique	76	74	53	56
Insight into what the manufacturer is telling physicians about this product	73	71	41	41
A listing of the product's competitive advantages	62	59	60	62
A listing of the product's competitive disadvantages	62	60	10	10
Information about why the cost of the product is justified	60	60	16	17
If a new product, how well it did in clinical testing	48	50	42	42
Statistics on how often physicians prescribe this product	30	31	32	30
If sold overseas, how well it performed within its category	27	31	26	29

Source: Lebhar-Friedman research

Drug-ordering help

In a less important area, 1% of the chain pharmacists said they need to see detail people to help in ordering drugs, while 6% of the independents picked this reason. Again, the difference can be attributed to the way pharmacists at chain stores order merchandise. It is generally ordered through the warehouse and not directly from the manufacturer, as so many independents do.

The study showed that drug manufacturers are putting their people in the field with only a marginal improvement in competitive ammunition on their products than a year before.

Last year, 60% of the pharmacists polled said they were receiving a listing of the product's competitive advantages. This year, 62% said they are receiving that information. The same is true for information on the uniqueness of a product (53% in 1985 vs. 65% in 1986).

One area in which pharmaceutical reps are doing a particularly good job is in informing pharmacists about warnings of possible drug interactions. Last year, 22% of the pharmacists polled said they received that information, compared with 26% this year.

There was only one type of information where detail people dipped slightly: statistics on how often physicians prescribe a product (30% this year, compared with 32% last year). In every other area, they have done a better job or the same job of relaying information about their products. The difference in information being received was not dramatically different between independents and the chains.

Most important information

The pharmacists were asked to list the one most important type of information they would like to receive.

Topping their list was instructions for advising patients how to use the product. While this appeared as the No. 1 information desired last year as well, the response was slightly down this year (27% this year compared to 28% last year).

Ranked second was warnings about possible adverse reactions. The demand for this information was up 2% in 1986 (13% in 1986 vs. 11% in 1985).

The need for more detail visits becomes clearer after examining the data on the estimated number of new products, including new package sizes stocked by pharmacists in 1986.

Stocking new products

It was reported by 18% of the pharmacists that they stocked between 20 and 24 new products on their pharmacy shelves in 1986, exactly the same amount reported last year. A higher number this year reported stocking between 25 and 29 products (10% in 1986 vs. 9% in 1985), but a lower number reported stocking 30-39 products in 1986 (10% in 1986 vs. 11% in 1985).

On balance, the study indicated that independent pharmacists continue to stock more new products than do chain store personnel. The 1986 data show that independents feature significantly more new products (38.7%) than their chain drug counterparts (26.8%).

Another area of the study that points to a needed improvement in detail visits is the amount of prescriptions being written for new products.

On average, 86.5% of the total scripts written in the past year were for existing products compared to 13.5% for new products. There was no difference between chain and independent responses.

We wanted to find out why pharmacists would even consider stocking a new product. To do this, we asked pharmacists to rank their choices among several listed.

Three answers were just percentage points apart:

"Ready availability" was ranked by the majority (52%) of pharmacists as being the single most important factor in taking on new drugs into inventory. In a very close choice for second and third stand "uniqueness" (49%) and "frequency of detailing" (48%). All three were cited as being "extremely important." Less important considerations included "price" (29%) "profitability"(22%) and "physician sampling (21%)."

The "uniqueness," "frequency of detailing" and "profitability" were significantly more important to independent than chain drug pharmacists.

Most successful new item

Pharmacists were asked to name the one new product that they consider as most successful in terms of prescription sales within the past year.

Merrell-Dow's Seldane, a new nonsedating antihistamine, grabbed top honors. It was picked by 25% of the pharmacists. Other new products were mentioned by 9% or fewer.

Other new drugs getting the pharmacists' nod included Vasotec (voted by 9% of the pharmacists), Zantac (7%), Trental and Maxzide (6%) and Suprol and Orudis (3%).

When the pharmacists were asked to cite the one source most valuable in receiving prescription drug patient information, 27% said pharmacists' reference publications. The second most valuable source was product package inserts, with 24% of the vote. Last year, the two sources were tied for first. In third place was the drug manufacturers' representative. Other sources in descending order were trade newspaper stories and direct-to-consumer advertising.

Table 2

Why pharmacists take on new products*

	Total %	Chain	Independent
Readily available	52%	50%	56%
Uniqueness	49	45	55
Frequency of detailing	48	44	54
Price	29	28	30
Profitability	22	18	29
Physician sampling	21	22	20

Source: Lebhar-Friedman research
*Respondents listed as "extremely important"

Table 3

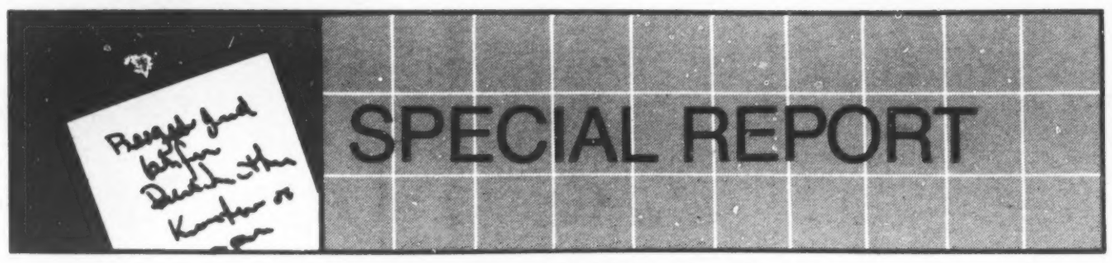
How often pharmacists see detail person

	Total %	Chain	Independent
Once a month or more	50%	50%	50%
Once every two months	26	23	31
Once every 3-6 months	15	17	14
Less than once every 6 months	6	7	3
Never	2	2	1

Percentages may not add up to 100% due to rounding
Source: Lebhar-Friedman research

INSIDE PHARMACY

Mail-order drug system raises concern among



By Marjorie Shaffer

Frederick Mayer, a pharmacist in Sausalito, Calif., tells of a man who came into his store with an empty bottle of Minipress. He desperately needed a refill, but had been without his heart medication for five days because the refill had not yet arrived in the mail.

When Mayer asked him why he used the mail to get his drugs, the man replied, "I get the drugs free through my HMO." Mayer asked him if he knew the cost of a stroke.

In Virginia, an 86-year-old man with a heart condition received through the mail the antiarthritic drug Feldene instead of Procardia. The man took the Feldene at the rate prescribed for Procardia—in doses four times higher than the maximum recommended for Feldene. He eventually developed a gastric ulcer and heart problems. He died of a heart attack.

The doctors treating the man said the Feldene overdose and the lack of Procardia did contribute to his death. The case was settled out of court for about $75,000, according to A. Davis Bugg Jr., a lawyer with the White Stone, Va., law firm of Dunton, Simmons & Dunton, which handled the case.

"Rightful concern"

Incidents like this, pharmacists allege, prove mail-order delivery of drugs is a public health hazard. "It's a rightful concern of pharmacy; if one case could happen, how may others are there?" asked Lou Sesti, director of the Michigan Pharmacists Association.

"I don't have a high opinion of it," said Charles West, executive vp of the National Association of Retail Druggists, which last year set up a clearinghouse for complaints about mail-order drug delivery.

"We get the routine kinds of complaints from people who don't receive medicine on time or in the proper condition, except we are not talking about widgets," said John Rector, NARD's general counsel. "When mail-order pharmacists are filling hundreds of prescriptions a day, there's going to be a lot of problems," he said.

But mail-order pharmacists maintain this is an exaggeration. "There are no facts supporting the contention that the error rate for mail order is higher than that at retail," said James Manning, executive vp at Medco Containment Services in Elmwood Park, N.J. the largest for-profit mail-order business in the country.

"We have quality controls, verified by several state Boards of Pharmacy, over the dispensing process that are substantially better than at retail. Our dispensing errors are negligible, far less than 1%," he said.

Increasingly widespread

Despite the salvos fired off by each side, mail-order delivery of prescription drugs is becoming increasingly widespread as cost-cutting corporate America begins to find more ways to offer cheaper medical benefits.

Once mail-order drug delivery was restricted to nonfunded programs offered by the Veterans Administration, a 40-year-old program filling more than 20 million prescriptions a year, and the American Association of Retired Persons Pharmacy Service (AARP), which mails about seven million prescriptions a year. But in the last 10 years, mail-order for-profit businesses have spung up. They began offering the service to corporations, which offer the program as an alternative to major medical programs, and business boomed.

Today, Medco's mail-order arm, National Pharmacies, mails more than three million prescriptions a year. Among its clients are such heavy hitters as General Motors, United Technologies, Occidental Petroleum, ALCOA and Grumman.

There are at least 10 other for-profit mail-order drug delivery businesses operating.

In 1984, Sears began offering its customers the service through its Mature Outlook program. And J. C. Penney has been offering the service for several years through its Thrift Drug subsidiary.

Another major drug store chain, Walgreens, expanded its mail-order service earlier this year when it announced it would provide the service to more than 100,000 customers through a contract with Mutual of Omaha.

And at least one hospital offers the service. Last year, ArcVentures, a subsidiary of Rush Presbyterian-St. Luke's Medical Center of Chicago, began offering a program.

Some municipalities and state governments, including New York State, also are beginning to offer the service to their employees. And at least one pharmaceutical company, Baxter Travenol, based in Deerfield, Ill., has begun a mail-order prescription drug service in the Midwest.

Appeals to employees

Employers have been drawn to mail-order drug delivery services because it saves money on maintenance medications used to treat chronic illnesses, like diabetes and high blood pressure. Mail order cannot be used for emergency treatments. Money is saved through large-volume purchasing discounts, fewer dispensing fees because customers are supplied with up to a 90-day supply of medications, and fewer claims processing fees. Large savings are also realized through a much higher rate of generic substitution for mail-order drugs, ranging from 10% to 35%, compared to retail pharmacy.

"Overall, consumers can usually save 50% or more on mail-order purchase on either brand or generic products," writes David Saks, a drug expert with Morgan, Olmstead, Kennedy & Gardner of New York City, in a research report.

> "We get the routine kinds of complaints from people who don't receive medicine on time or in the proper condition, except we are not talking about widgets. When mail-order pharmacists are filling hundreds of prescriptions a day, there's going to be a lot of problems."
>
> **—John Rector**
> *general counsel, NARD*

> "There are no facts supporting the contention that the error rate for mail order is higher than that at retail."
>
> **—James Manning**
> *exec vp, Medco Containment Services*

But does mail order really save corporations money? Says Lou Sesti of the Michigan Pharmacists Association, who has been privy to some of the negotiations for Ford Motor Co.'s and Kellogg's mail-order programs, "Management doesn't save much money, but it's a pro-labor bargaining chip for the unions."

Interviews with two benefits managers at corporations that have mail-order service programs with National Pharmacies underscore this point. At Mountain Bell in Colorado, which has had the program for over a year, Paul Tracey, staff manager for benefits, said, "We should have seen a savings,

Does mail-order pharmacy pose a competitive threat to conventional drug stores, or is the issue one of service? Observers are divided on the question.

Feedback on mail order

Excerpts of complaints received by NARD about mail-order delivery of prescription drugs.

From Davison, Mich., a worker in a Baptist Church:

"Received generic phenobarbital 60mg made by Lilly on several occasions, but the last precription filled was twice as large a tablet and had different markings. Had to take the Rx to my local pharmacy and ask my pharmacist for assistance. He tried to call my mail-order pharmacy to ask if the prescription was correct, as he did not recognize the pills, and was told they do not take collect calls under any circumstance, so finally he found out that my pills were correct by calling a local hospital's drug information center, but I am very unhappy with the service of mail-order-pharmacy. Especially annoying is switching generics and giving no notice of the change, or telling the manufacturer on the label."

From Little Rock, Ark., a retiree of Union Life Insurance Company:

"In February 1985, I ordered a prescription refill of #F342875, hydrochlorothiazide 25mg, from Retired Persons Pharmacy of Texas. The tablets I received from them did not look like the ones I had been taking, so I took them to my druggist for identification. He told me they were not hydrochlorothiazide, so I did not take them."

From a spouse of a Uniroyal worker in Missouri:

"My insurance company insisted that I use generic drugs, and it seemed that every time I got my medicine, it was a different color. I had to wait till I called to make sure it was O.K. or return it. . . ."

From Sweetwater, Tenn., a director of pharmacy in a small hospital:

". . . Recently, a patient brought in his medications . . . and he had in his possession thousands of each of his antihypertensive medications . . . filled up one-half of a grocery bag . . . All I know in this instance is that an elderly man living in Tennessee obtained through mail-order prescription from New Jersey multiple thousands of tablets. This most definitely is a health hazard to dispense in such large quantities. . . ."

pharmacists

Mail-order prescription drug services employ hundreds of pharmacists who fill prescriptions in an assembly line-like operation.

Despite the salvos fired off by each side, mail-order delivery of prescription drugs is becoming increasingly widespread as cost-cutting corporate America begins to find more ways to offer cheaper medical benefits.

but it is costing us more than our previous insurance program; the company still has to pay for the prescriptions." However, he added, "The satisfaction of the employees more than offsets the cost of the program."

At Grumman Corp., an aerospace giant in Bethpage, N.Y., benefits manager Mary Cronin said, "We're happy if we break even" on the new program for retirees with National Pharmacies. "It's very difficult to give additional benefits, so you try and be creative and come up with programs that don't cost the company a lot, but give employees something. Grumman is a very paternalistic company," said Cronin.

Found little savings

Cronin also said that after a fairly thorough comparison of drug prices in local pharmacies, including chains, with National Pharmacies' prices, she concluded that there really was not much savings. "They were all very close on prices, especially the chains. It was really hard to find a difference," she observed.

Apparently, at least for some corporations, it is only the employees who do save money on mail-order programs, some of which require no co-pay for prescription drugs.

Most mail-order services also provide a drug information leaflet on prescription drugs and information that alerts patients to drug interaction problems. And, said Medco's Jim Manning, specially insulated packages are used to mail drugs to ensure that temperature extremes do not damage the goods. "Most drug stores get their drugs through UPS, and is that a problem?" he asked.

Central to mail-order delivery of prescription drugs, say pharmacists, is the lack of face-to-face contact between pharmacist and patient, and the severing of the traditional doctor-pharmacist-patient relationship.

But pharmacists contend that money is no substitute for health. "It's cost containment at any cost, no matter what you sacrifice," said John Rector of NARD.

Central to the mail-order delivery of prescription drugs, say pharmacists, is the lack of face-to-face contact between pharmacist and patient, and the severing of the traditional doctor-pharmacist-patient relationship.

"It all adds up to a complete, absolute confrontation with pharmacy as a personal service," said Sesti, of the Michigan Pharmacists Association.

Pharmacist input

Without a local pharmacist, druggists contend, there can be little follow-up and knowledge of a patient's medical history. Thus, there is plenty of room left for error by supplying drugs that can adversely interact. But mail-order pharmacists say they keep meticulous records on all their patients. "We may not see every one of our patients every day or on a one-to-one basis, and I don't know any pharmacy that does," said Delbert Konnor, director of professional services for AARP, at the American Pharmaceutical Association earlier this year.

But, Konnor said, each patient is "in on our patient profile system: each is a special charge account patient with full credit; each has the right to telephone us and discuss medication with a pharmacist practitioner; and each of our patients can write to us explaining medication needs."

Manning maintains that pharmacists are enraged about mail-order delivery of prescription drugs because it is another competitor in an increasingly difficult business. It is not a service issue, he maintains.

Overall, mail-order prescriptions only account for about 2% of the $25 billion U.S. prescription drug industry. "That certainly doesn't seem like a competitive threat—does it?" said Konnor. But what happens when 2% rises to 7%, pharmacists retort.

By concentrating on the public health issue, associations like NARD are trying to focus attention on the hazards of mail-order delivery, rather than its competition with retail pharmacy. Perhaps a harbinger of this approach is the call by Rep. John Dingell (D-Mich.), chairman of the House Subcommittee on Oversight and Investigations, to "closely examine the mail-order dispensing of pharmaceuticals to determine whether or not the public health risk of this growing practice is reasonable." However, a member of Dingell's committee said that such an investigation will not take place for some time.

Efforts to restrict

Meanwhile, there has been no study to determine whether mail-order pharmacy is a public health threat. In the absence of federal intervention, several state boards of pharmacy have tried to support legislation that would restrict mail-order delivery of drugs into the state. The state pharmacy boards have been particularly rankled because they have little, if any, control over the licensing procedure of these out-of-state businesses.

One thorny issue is substituting generics for brand name drugs. Most mail-order businesses are deliberately located in states with fairly liberal substitution laws. But many states, such as Florida, Arkansas and Mississippi, have strict controls on substitution.

Both Florida and Mississippi failed this year to pass legislation that would have required out-of-state mail-order pharmacies to be licensed by the state and adhere to the same regulations as in-state pharmacies. In Mississippi, the governor vetoed the bill, citing interference with interstate commerce as unconstitutional.

"Want a fair shake"

"We are not saying do away with mail order, but we do want a fair shake with these people," said Jim Powers, executive director of the Florida Pharmacy Association. "How are we going to make sure that people in other states are complying with our laws?" he asked.

Central to mail-order delivery of prescription drugs, say pharmacists, is the lack of face-to-face contact between pharmacist and patient, and the severing of the traditional doctor-pharmacist-patient relationship.

"I think it is a great challenge that pharmacists can meet by providing better services."

—Lou Sesti
director,
Michigan Pharmacists Association

So far, only Arkansas has passed an act that would actually regulate out-of-state mail-order pharmacies. But the regulations must be formulated and reviewed by several committees before it can become law—a formidable challenge.

Last month, Assemblyman William J. Filante, a physician from California, called for state legislation that would establish certain in-state controls of mail-order pharmacy. A spokesman for Filante said he will try to stay away from the interstate commerce issue.

Pharmacist's challenge

But until federal or state legislation can more fully regulate what pharmacists see as a threat to the public health, mail order will continue to grow. And it is ultimately up to the pharmacist to meet this challenge.

As Lou Sesti said, "I think it is a great challenge that pharmacists can meet by providing better service."

A sampler of organizations offering mail-order pharmacy services

Organization	Estimated Rxs filled per week	Dispensing locations	Major customers
Veterans Administration	385,000	172 medical centers 220 outpatient clinics	U.S. veterans
American Association of Retired Persons	135,000	Calif., Conn., Ill., Pa., Ore., Mo., Ind., Tex., Wash.	22 million AARP members
Medco Containment Services	100,000	N.J., Ohio. Calif., N.Y., Nev.	General Motors, United Technologies, Occidental Petroleum, ALCOA, Grumman
Health Care Services	25,000	Pa.	Ford Motor, Goodyear
Express Pharmacy Services (Thrift Drug/ J.C. Penney)	18,000	Pa.	General Motors, Pitney Bowes, Rockwell

Safeway break-up seems inevitable to reduce debt

Continued from page 1

son, Robert, control Dart Group.

Sources said KK&R and Dart have discussed the sale to Dart of Safeway's 196-store southern California division, its 222-store mid-Atlantic division, and its 105-store Liquor Barn chain.

The agreement between the two suitors—which KK&R considered necessary to fend off a Dart lawsuit—also gives Dart the option to buy 20% of the new company KK&R has formed to take Safeway private, SSI Holdings Corp. Some analysts said Dart ownership in SSI would allow KK&R to lay off some risk, without giving Dart a say in operations.

Dart is also in the familiar position of cashing in bountifully on its stock holdings: It stands to clear $80 million from its 5.9% stake of Safeway shares.

Safeway became the latest corporation to fall to the takeover craze.

The supermarket industry has been under close examination by investors, who perceive that companies may be worth more broken up with assets sold off piecemeal, than is indicated by their stock prices, which largely reflect earnings performance. Safeway was particularly vulnerable, with its flat sales and erratic earnings, analysts said.

"They've made a lot of progress in the physical store base, but not so much in cost control, in being cost competitive, and in doing a good job on merchandise," said Mark Mandel, analyst at Value Line.

Mandel estimated earnings per share would have fallen to $3.15 in the fiscal year ending in December, compared to $3.83 in 1985.

The projected slump makes KK&R's tender offer all the more attractive to shareholders, who must endorse it by a two-thirds margin, with at least 41,560,000 of Safeway's 61 million shares outstanding tendered.

"I think management did a good job for the shareholders. They probably did a better job in managing this deal than they did in managing the stores," said Albert Klein, an analyst with Albert A. Viner, a brokerage house.

Arbitragers will be chief among the beneficiaries, since they have been among the heaviest buyers since Dart lit a fire under Safeway's stock price in mid-May when it began buying stock at around $40. Safeway shares closed at $65.25 on Aug. 1. Dart Group jumped $10 to $160 on the announcement of its agreement with KK&R.

Analysts said that Safeway's lucrative Canadian and Great Britain divisions are key sale prospects, as KK&R begins selling off divisions to reduce the debt, estimated to cost $350 million to $400 million in annual interest expense.

"The most logical thing is to sell the assets they can get a lot of money for," said Bear Sterns analyst Monroe Greenstein. But analysts also said it could elect to dump unprofitable markets. Since Safeway has long suffered high labor costs in many key markets, it may first see how well labor negotiations go on 40% of its labor contracts that exp[illegible]e this year, Mandel said.

"Grocery chains operate with such thin margins. They will have to reduce debt service costs, or profits would be severely eroded," he added.

Cash flow isn't a funding option if capital expenditures are to continue at the current level. Cash flow (net profits plus depreciation) is $9 per share. Capital expenditures have been $650 million yearly, or $10 a share, leaving minus $1 in cash flow, Mandel noted.

Cash sources besides the sale of assets might include $100 million from elimination of the dividend, and $200 million to $300 million excess in an overfunded pension plan.

While KK&R said some of Safeway's senior management will be offered a 10% share in the new company, it wasn't clear whether existing management, including Peter A. Magowan, chairman of the board and ceo, will stay on.

The takeover is the second time KK&R has whiteknighted Dart, which had offered to buy Beatrice Cos. before KK&R set forth a $6.2 billion buyout in April the largest ever.

KK&R will convert short-term bank loans lined up for the Safeway purchase by Bankers Trust into long-term debt by having SSI Holdings sell junk bonds later this year. Drexel Burnham Lambert Inc., the buyout specialist who was raising Dart's funds, is now expected to help with the SSI junk bond sale.

Retailers concentrate on core biz

Continued from page 1

noncore businesses in order to concentrate strategic thinking and investment dollars on core operations.

"People are focusing on productivity and on return on investment," said Susan Schmierer, retail drug store analyst for Prudential Bache, "and one of the best ways to maximize these areas is to concentrate on what you do best: your core business. Walgreens has always done that, and look at how successful they've been. Eckerd and Revco have been learning the hard way that this, for them, is the better way to go."

"There's definitely a trend toward deconglomeratizing or undiversifying," said Kidder Peabody analyst Steve Albert.

Schmierer said she first noticed the trend last year. She believes that 1985 marked the beginning of what she calls "the third phase in the cycle of retail drug stores: consolidation."

Consolidation through 1990

The consolidation era, she predicted, will last through at least 1990 and will be a period focused on "tightening controls, getting tougher," and in some cases paring back to operating fewer stores so the company overall can be "stronger."

"American Stores has proven that one company can successfully operate food and drug stores at the same time," said one source. Another said there will always be room for the traditional drug store in the marketplace because no combination store, food store or mass merchandise store with drug store merchandise can satisfy the consumer's ongoing need for convenience and variety.

Said Schmierer, "The fact that pharmacy sales have been growing so strongly in retail chain drug stores in spite of the competition from food and mass merchandise stores is proof that there is still more than enough pharmacy business for everyone."

—By Liz Parks

Kroger stresses combos

Continued from page 1

stores, could have a street value of $350 million to $400 million. Bernish said Kroger hasn't pinpointed the value of the stores yet, and that is the first step from which other choices will flow.

He did say there was a small possibility Kroger might keep the Hook division, which has performed better than SupeRx in making money. But he stressed the likelihood that Kroger would disengage itself from the management of all freestanding traditional drug stores to concentrate on expanding and maximizing its Kroger and Dillon combination food and drug stores.

An average combination store, Bernish said, generates sales of $450,000 a week or over $23 million a year. Pharmacy, health & beauty aids, over-the-counter and cosmetic products account for 15%-17% of those average store sales.

That means the drug store departments in a combo can average between $3.45 million and $3.91 million a year. A typical SupeRx does about $1.5 million a year in sales and the average Hook, about $1.2 million.

"What's important to us, too," said Bernish, "is that last year, sales in the drug store division were up just 5.5% off that base of about $1.5 million per store, while combination store sales, off their $23 million per store base, were up almost as much, 4.6%.

Bernish said the main reason Kroger was stepping back from the freestanding drug store retail segment was to concentrate on "our primary business, and that today is combination stores."

He also characterized the apparently sudden decision to divest the drug stores as an "offensive move which just happens to have some coincidence with what's going on in the marketplace right now with Safeway.

"We're not doing this to ward off raiders," he said. "This strategy is designed to build our strength in the long run.

"The only relationship between their situation and ours is that we moved the timetable up a bit because of them.

Bernish also said it is still too soon to say how Kroger will modify its expansion plans once the restructuring has been arranged. Kroger will keep to its plan of opening 40 combination stores in calendar 1986 and as many as 50 to 55 in 1987.

"It'll be after 1987 that you'll see the impact of this restructuring on our expansion timetable," Bernish said.

At presstime, Kroger had 450 combination stores in operation, plus 711 superstore supermarkets. Bernish pointed out that the 450 combination stores generated approximately $7 billion in sales in 1985, as did the 711 superstores.

"In the combination store division, we had the same amount of sales with just half the stores," Bernish said.

Correction

Because of a computer error, several categories of general merchandise contained in our Triple A Product Study ran in reverse order. Below are the correct listings. Please clip and incorporate the new category listings into your saving issue.

We regret any inconvenience this may have caused.

Fastest moving household chemicals/cleaning supplies
(unit sales)

1	Charmin white, 4-pack
2	Reynolds Wrap, 25 ft.
3	Ivory soap family size
4	Ivory soft soap, 9 oz.
5	Charmin yellow & blue, 4-pack
6	White Cloud white, 4-pack
7	Fantastik spray, 32 oz.
8	Bounty big roll
9	Designer Bounty big roll
10	D-Con roach traps, 2-pack

Fastest moving batteries
(unit sales)

1	Duracell D-2
2	Energizer D-2
3	Duracell AA-4
4	Energizer AA-4
5	Duracell AA-2
6	Energizer AA-2
7	Duracell C-2
8	Energizer C-2
9	Eveready Heavy Duty AA-4
10	Duracell Alkaline AAA-2

Most profitable batteries
(gross margin dollars)

1	Duracell AA-4
2	Duracell D-2
3	Duracell C-2
4	Energizer AA-4
5	Energizer D-2
6	Duracell AA-2
7	Energizer C-2
8	Duracell Alkaline 9V BP
9	Eveready Heavy Duty AA-4
10	Energizer AA-2

Fastest moving films
(unit sales)

1	Kodak CL110-24 VR200
2	Kodak CM135-24 VR400
3	Kodak VR disc, single
4	Kodak CP135-24 VR100
5	Kodak VR disc, 2-pack
6	Kodak CL135-24 VR200
7	Kodak CL110-12
8	Polaroid 600 Sun
9	Polaroid SX-70 Time Zero
10	Kodak CM110-24 ASA400

Fastest moving stationery products
(unit sales)

1	Crayola Crayons, 8s
2	Crayola Crayons, 24s
3	Bic Ball Stick pen, black
4	Bic Ball Stick pen, blue
5	Elmer's Glue, 4 oz.
6	Trapper Keeper portfolio
7	Elmer's Glue, 1.25 oz.
8	Scotch Tape, ¾ x 200 in.
9	Elmer's School Glue
10	Scotch sealing tape, 1½ x 400 in.

Most profitable vitamins/supplements
(gross margin dollars)

1	Os-Cal 500mg tabs, 60s
2	Centrum tabs, 100+30
3	Os-Cal 250mg, 100s
4	Ensure Plus, 8 oz., 4- 6-pack case

Most profitable antacids
(gross margin dollars)

1	Mylanta liquid, 12 oz.
2	Mylanta II liquid, 12 oz.
3	Pepto Bismol, 8 oz.
4	Pepto Bismol, 4 oz.
5	Tums peppermint, 150s
6	Gaviscon tabs, 100s
7	Tums assorted flavors, 150s
8	Tums peppermint, 3-pack
9	Alka Seltzer, 36s

Merchandising Trends:
'Protector vitamins' potential predicted—p. 13

Inside Pharmacy:
Antianxiety drug to rock tranquilizer market—p. 29

Merchandising Trends:
Alternative fragrance segment heats up—p. 20

DRUG STORE NEWS®

Vol. 8/No. 19 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. September 1, 1986

American Stores opts to decentralize

To build Osco ID, foil any takeover bids

By Al Heller

SALT LAKE CITY — American Stores will decentralize in part to carve a higher identity for its powerhouse 29-state Osco Drug division and better enable the $14 billion conglomerate to fend off any hostile takeover attempt.

In a restructure set for Feb. 2, according to an American spokesman, three distinct operating divisions will be created at American: Osco Drug; a Western food group made up of Alpha Beta, Skaggs Alpha Beta and Buttrey; and an Eastern food group made up of Acme Markets, Jewel Food Stores and Star Markets.

Chairman L. S. Skaggs announced in the same lengthy but pointed letter to stockholders that the board adopted a shareholder rights distribution designed to discourage unwanted buyout bids.

'He's probably the No. 1 retail drug manager in the U.S.'

—Midwestern analyst, speaking of Osco president Richard George

Protective rights

The protective rights will be exercisable if a person or group acquires 20% ownership or announces a tender offer for 30% or more of American Stores common stock.

In an apparently angry tone about the rash of stock raids on retailers, Skaggs wrote holders that "over 250 other companies have issued" similar rights

See ***American,*** *page 38*

Revco approves $1.25B management buyout offer

By Dave Vaczek

TWINSBURG, Ohio — Revco's Board of Directors approved a sweetened $1.25 billion buyout offer from a management group, breaking a six-month stalemate.

But retail analysts said that by raising its bid by $90 million, management will face heightened hurdles for cost containment and operations efficiency with pressure to curtail store growth and leave marginal markets.

The board endorsed a $38.50 cash per share offer, which analysts termed a good value for shareholders, who now must approve the buyout by a majority vote by mid-November.

Expects approval

Sidney Dworkin, Revco's chairman and ceo, who is leading the buyout, said he was "delighted" by the board's acceptance and expects shareholder approval. The 2,000-store chain announced that it and Anac Holdings Corp., a company formed by the investor group, reached a definitive merger agreement on Aug. 16.

The offer, which had been expected for several months, topped the group's initial March 11 bid of $33 per share in cash and securities valued at an additional $3.

Sidney Dworkin

Dworkin said he was "pleased that the members of management will have the opportunity to have a continuing stake in the future of Revco."

Dworkin, president William Edwards and R. Carroll Hudson, vp, cfo, are the only three officers who have been named as participating, although 12 to 15 other company executives reportedly will join the group.

Dworkin declined to elaborate on the buyout.

The investor group includes Transcontinental Services Group NV, an investment holding company affiliated with the Rothschild banking family. TSG is contributing $54 million. Management is adding $11 million.

The financing also includes $450 million of senior bank debt from a bank group led by Wells Fargo and Marine Midland banks, $85 million of convertible preferred stock and $700 million of subordinated

See ***Revco,*** *page 38*

Revlon's pending takeovers greeted with mixed reviews

By Liz Parks

NEW YORK — Retailers and Wall Street had mixed reactions to Revlon's pending takeover of Max Factor, Almay and Halston.

Retailers said they were worried about the potential confusion that such a takeover could bring to their planograms and promotional plans, while some Wall Street analysts said they viewed the pending takeover as a case of "the blind leading the blind."

At Fay's Drug in Liverpool, N.Y., merchandise manager Gale Mitchell worried that the merger would add more layers of confusion to what many retailers said was still a "very confused situation" at Revlon.

Retailers like Mitchell pointed out that Revlon's management and its sales and service teams were still digesting the changes that resulted from their takeover last winter by Pantry Pride and its chairman, Ronald O. Perelman.

Confusion compounded

"Even before this happened," Mitchell said, "they were confused. Nobody really

See ***Revlon,*** *page 38*

Thrifty has big plans for Jrs.

25 stores set to open over next 12 months

LOS ANGELES — Thrifty Corp. has aggressive growth plans for its Thrifty Jr. division, with 25 store openings slated over the next 12 months, Richard Eils, president and ceo, told shareholders last month.

At the annual meeting, which also resulted in the approval of Thrifty's merger with Pacific Lighting Corp., Eils said the first remodeled downsized Thrifty Jr. stores were showing the same vigorous sales growth as full-size Thrifty stores remodeled under the Perfecto program.

Eils said the first three remodeled Jrs. were racking up "increases of more than 25% over the same period a year ago." The remodeling and remerchandising of all Jrs. will be completed early in 1987.

Eils said that the chain also plans to open 25 full-size Perfecto's in the next 12 months.

To date, the chain has signed 12 leases,with 17 more under negotiation for full-sized Thriftys. As for Jr., Eils said Thrifty has signed 19 leases and two more are in the negotiation stage.

See ***Thrifty,*** *page 37*

Combines with Ralphs in So. Calif. locations

LOS ANGELES — After building its 31-store Thrifty Jr. division through acquisitions, Thrifty Drug is opening the next 10 Jrs. as subtenants of Ralphs Grocery Company's Giant superwarehouse stores.

The 10 downsized Jr. stores are scheduled to open between September and November 1986.

Ralphs Giant stores, which range in size from 60,000 to 110,000 sq. ft., are takeovers of shuttered Zody's discount department store locations in southern California.

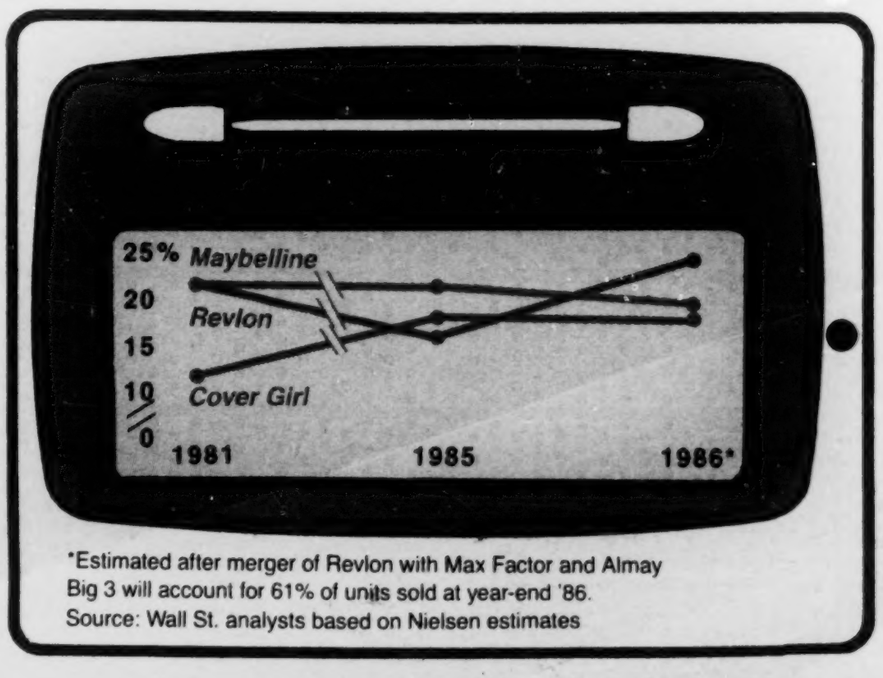
The 4,500-sq.-ft. Jrs., with outside entrances, will be one of 12 to 18 subleased units along the front concourse.

According to an insider, Thrifty and Ralphs execs spent three months deciding which items Jr. would carry. "They went over the drug

See ***Ralphs,*** *page 37*

Kanner: Calcium sales still hefty amid osteoporosis fears e 22

0026934C DR
KEVIN KENDRICK
CONGRESSIONAL INFO SVC IFN
4520 EAST WEST HWY STE 800
BESTHESDA MD 20814



*Estimated after merger of Revlon with Max Factor and Almay
Big 3 will account for 61% of units sold at year-end '86.
Source: Wall St. analysts based on Nielsen estimates

NACDS steamed over health insurance bill

WASHINGTON — Drug chains and other employers faced with the administrative burden of offering continued health insurance coverage to ex-workers and their dependents may soon be slapped with an even more costly new government requirement.

Legislation now moving in the Senate would amend the current law to require employers to pay at least part of the health insurance premiums for former employees—even workers who voluntarily quit their jobs.

That bill, being pushed by Sen. Edward Kennedy (D-Mass.), would make a bad situation worse, according to officials at the National Association of Chain Drug Stores.

Continued coverage now optional

The new Federal law—part of the Consolidated Omnibus Reconciliation Act (COBRA)—obliges all employers with more than 20 workers to offer departing employees (as well as their divorced spouses, widows or other surviving dependents) the option of continuing their group health insurance coverage for up to 18 months.

COBRA does not require the employer to pay the insurance premiums for ex-workers, however, and in fact permits firms to bill former employees an additional 2% to cover administrative expenses involved in continuing coverage.

The new law, which passed Congress quietly earlier this year and took effect on July 1, has already caused a stream of complaints from employers in high-turnover, labor-intensive industries, who claim a 2% surcharge does not begin to offset the administrative cost of continuing health insurance for ex-employers.

Complaints already voiced

"We have already received a number of complaints from our members about this new burden, and we consider this requirement a serious problem for the chain drug industry," Ty Kelley, NACDS govern-relations vice president, told *Drug Store News*.

Along with other industry groups, NACDS plans to seek legislative changes in COBRA to ease the burden on employers.

The amendment sponsored by the Massachusetts Democrat would require employers to continue paying the same percentage share of each departing worker's health care premium for four months after termination.

As firms with generous employee health insurance benefits would be hardest hit by this plan (e.g., an employer who pays 100% of the employee's premium would be required to continue paying the full share), critics of the bill maintain it would encourage many businesses to cut back on employee health coverage or eliminate these benefits altogether.

'Insurance risk pools'

Kennedy's legislation, which is drawing broad support from Congressional Democrats, would also set up state "insurance risk pools" to provide coverage for the "medically uninsurable." Under the proposal, any cost "shortfall" in these insurance pools would be paid by employers offering employee health care benefits.

Kennedy said the legislation is needed because 37 million Americans have no health insurance at all.

Moreover, he told Congress that a million Americans a year are refused health care because they can't pay.

NEWS IN BRIEF

Bill Adams dies in plane crash

RALEIGH, N.C. — Bill Adams, president of Adams Sales Co. and a member of the executive committee of NAGMR, died when his plane crashed July 24. His wife, Barbara, also died in the accident. They are survived by their three children, William, Bradley and Michele.

Perry groundbreaking set

PONTIAC, Mich. — Perry Drug Stores announced it will break ground this fall on a new 200,000-sq.-ft. corporate office center downtown. The project, undertaken with the Rouse Co., the Columbia, Md., real estate developer, will consolidate office space now parceled among five buildings in the metro area.

Perry's $20 million office building will house its 500 corporate employees and will also anchor a major redevelopment effort on 7.5 downtown acres. The first phase will include a 2.5- to 3-acre public plaza.

F&M makes topsider changes

WARREN, Mich. — F&M Distributors reshuffled some top management positions with the exit of two operations vps last month.

The deep discount chain said that Earl Weissert, a former regional vp with the McCrory Corp. variety store chain, has been named vp-store operations, replacing Richard Butler. Butler resigned to take the post of senior vp-store operations at Revco.

Also, Richard McClean, vp-store operations, resigned. Arthur Kainz, formerly with K mart, has been named director of real estate, assuming one duty that had been under McClean's jurisdiction, F&M said.

Construction begins on Pay Less DC

WOODLAND, Calif. — Pay Less Drug Stores NW has begun construction on a 501,903-sq.-ft. distribution center here to service its stores in California, said G. Boyd Sempel, vp-construction.

The DC will cost $15 million to complete.

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Vol. 8, No. 19 September 1, 1986

Circular revamp sparks Valu-Rite

SAN FRANCISCO — McKesson has completed the restructuring of its Valu-Rite program. The payoff: The voluntary group now accounts for 17% of McKesson's wholesale sales, and the number of Valu-Rite stores has been increased from 1,600 in September 1985 to 2,230 today. McKesson expects to boost the store count to 2,500 by March 1987.

The revitalization of Valu-Rite was sparked by changes in the monthly ad circular. The number of health and beauty aids' items was doubled (from 15 to 30) when the H&BA pages were doubled (from one to two).

The 12-page circular has been eliminated (except for back-to-school and Christmas) in favor of the four and eight pagers because, said Joe Polastri, president of McKesson Drug, "the products for the 12 pages were just too many for the average store."

Use of photos

Another change is the use of photos instead of drawings for this Christmas. "Photos help upgrade the presentation," said Polastri.

In addition, ad items have been revamped. "We eliminated Hong Kong Honeys [low price items that fail to sell through]," said Polastri. "We also made a change in the circular to include more consumable grocery and H&BA items. Furthermore, we increased the retailer's gross margin three points."

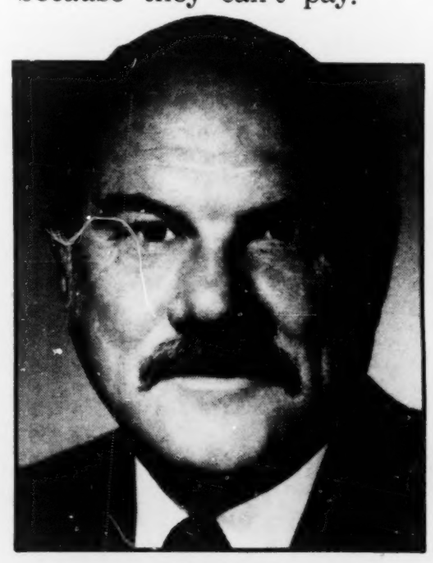
Value-Rite has increased the number of private label items from 100 to 150 and now requires that all Valu-Rite stores carry private label. On the other hand, the wholesaler does not require participation in the circular program.

Generics expanded

Generics were also expanded. Valu-Rite now carries 270 items (90 each from URL, Rugby and Gold Line).

A keystone of the program is the centralization of administration. Under the "one-umbrella" approach, Valu-Rite now operates out of McKesson's national headquarters in San Francisco.

Still, the feedback from the field continues. Every month, the three regional Valu-Rite sales managers meet with Valu-Rite buyers at McKesson headquarters for two days to help price and select the items for the ad.



Joe Polastri
president, McKesson Drug

McKesson's next goal (set for the spring of 1987) is to advertise regional items (three on the front page, three on the back).

In an attempt at further geographic breakout, Valu-Rite has selected 20 test stores throughout the United States to monitor the movement of ad items, starting with back-to-school.

4 Valu-Rite DCs

There are now four Valu-Rite distribution centers: Anaheim and Portland have 35,000 sq. ft. each, and Chicago and Memphis have 100,000 sq. ft. each. A fifth DC, (25,000 sq. ft.) is scheduled to open in Metheum, Mass. (outside Boston) in October 1987.

Butler and Sebok gain Revco top spots

TWINSBURG, Ohio — In a top management shift, Revco D.S. has hired away one executive from F&M Distributors and has created a new pharmacy management post.

Revco said A. Richard Butler, 55, has been named senior vp-store operations, with responsibility for all operational phases of Revco's 2,031 stores. Butler has been vp-store management at F&M Distributors for five years.

He will replace Albert Sebok, 54, who moves to the newly created post of senior vp-professional operations, responsible for pharmacy. Sebok has been senior vp-store operations since 1980.

Butler brings expertise in discount gm and OTC merchandising that Revco has sought since William Edwards was hired from F&M in June 1985 to strengthen front-end merchandising as Revco president and ceo. Edwards led F&M as president for seven years. Butler will report to executive vp Marc Dworkin.

Edwards said the appointments "add strength and breadth to the management base."

Pharmacy will undergo increased emphasis under Sebok, who will report to Butler.

"In Al Sebok, we feel we have the best-qualified person in the industry to direct the future growth of the professional foundation of our drug store operations, an area of increasing importance as pharmacists take on an increasing role as members of the health care team," said Edwards.

Butler started his career as a store manager trainee with W. T. Grant Co., where Edwards also was employed. Before moving to F&M, the Detroit-based deep discounter, he was vp and general manager of Consolidated Sales Co., Louisville, Ky., a full-line discounter and division of Cook United.

Sebok joined Revco in 1961, when the chain bought Standard Drug of Cleveland. Sebok had been a store manager at Standard.

As head of Revco's 4,000 pharmacists, Sebok will emphasize pharmacist education and developing the chain's pharmacy computer program, which is scheduled for full installation by 1989.

FINANCIAL

Med-Glaser sells 50% PDS share to Trimel

Steinbaum stresses future benefits

ST. LOUIS — By selling a 50% interest in its medical database subsidiary and giving control of it to a stronger marketer, Medicare-Glaser will reap several benefits.

Financial Analysis

In an interview with *Drug Store News*, chairman and president Harlan Steinbaum said the move will enable the 97-store chain to:

- Refocus its energies on strengthening its primary drug retailing and health care business, particularly in merchandising.
- Eliminate the drain of the Professional Drug Systems subsidiary on the corporate bottom line.
- Share in the anticipated faster growth of PDS, as its new part-owner will look to place the system at other retailers, hospitals and medical centers.

In a deal due to be completed at presstime (Aug. 15), Medicare-Glaser was to sell a half interest in PDS to Trimel Communications, a Toronto-based publisher of health care magazines in Canada.

Trimel, which will manage the day-to-day affairs of PDS, is due to pay $500,000 in two installments to Medicare-Glaser, the first on Aug. 15 and the next on Feb. 1, 1987.

Steinbaum characterized three-year-old PDS as still "in a developmental phase," adding, "There's a cost when building a business."

In a related matter, Steinbaum said he knew of no reason for an upsurge in trading activity in his company's stock that occurred in late July and nudged the stock price above $5 per share at the time, but by presstime had stabilized at about $4.50.

Signed leases

Medicare-Glaser, which operates stores in four formats—49 professional pharmacies, 38 full-line drug stores, 10 retail optical outlets and a home health care center—has recently signed leases for two additional full-line drug stores and has acquired two professional pharmacies, one in Bristol, Conn., and one in St. Louis. All these stores combined should push Medicare-Glaser above the 100-store count.

The company also reported a turnaround in net earnings on marginally higher sales in the first quarter ended June 30. The chain showed a first-quarter profit of $4,000, compared with a loss of $138,000 in the comparable quarter a year ago.

Melville net, sales climb

HARRISON, N.Y. — Melville Corp., parent of CVS and deep discounter Freddy's, reported higher net earnings and sales in the six months ended June 30.

Net earnings jumped 36.9% to $57.3 million, up from $41.9 million in the comparable half a year ago.

Sales in the first half rose 11.1% to $2.27 billion, up from $2.05 billion a year earlier.

In the second quarter, sales rose 8.1% to $1.24 billion, up from $1.15 billion in the same 1985 period. Net earnings slid 2.3% to $46.6 million from $47.7 million a year earlier.

Perry sees 3rd quarter net slide

PONTIAC, Mich. — Perry Drug Stores released preliminary mixed results for the third quarter and nine months, which the company said it expected to report fully in early September.

Perry announced that net for the third quarter ended July 31 "was considerably lower" than a year ago, but that sales for the third quarter and nine months would "set new records." Last year, third-quarter sales were $140 million and nine-months sales were $377 million.

Med Shoppe net earnings rise in 3rd

ST. LOUIS — Medicine Shoppe International reported higher net earnings and revenues in the third quarter and nine months ended June 30.

The nation's largest franchisor of pharmacies, operating 615 at quarter's end, reported a 20% net earnings gain in the third quarter to $887,214, compared with $742,347 a year earlier.

Revenues rose in the same period by 26% to $4.3 million, up from $3.4 million a year ago.

For the nine months, revenues climbed 21% to $12.3 million, up from $10.2 million in the comparable period a year ago. Net earnings for nine months rose by 18% to $2.5 million, compared with $2.1 million in the 1985 period.

Bergen expects $9.4M gain in stock sale

ORANGE, Calif. — Bergen Brunswig announced it expects to report a gain of about $9.4 million in the fourth quarter ending Aug. 31. The gain would be from an initial public offering of two million common shares of its former Commtron Corp. subsidiary.

Bergen, the nation's second-largest drug wholesaler, earned $5.9 million, or 46¢ a share, on revenue of $680.3 million in the year-earlier fourth quarter, including a $55,000 extraordinary credit.

Bergen is offering two million Commtron Class A common shares at $12 each, using Drexel Burnham Lambert as chief underwriter. Commtron is the largest distributor of videocassettes in the United States.

Hannaford revenues up

SCARBOROUGH, Me. — Hannaford Bros., the parent of Wellby Drug, reported higher revenues and net income in the quarter and six months ended June 28.

Revenues rose in the quarter to $213 million, up from $200 million in the comparable quarter a year ago. Net income rose to $4.9 million, up from $3.5 million in the same period.

For the six months, revenues climbed to $415 million, up from $388 million. Net income rose to $8.5 million, up from $5.8 million.

		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 08/01/86 - 08/13/86												
					Change		52-Week		Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change		Latest P/E Ratio	Indicated Dvd. Rate	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low		Amt.	Pct.		Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	70.00	62.50	69.50	6.75	10.76	71.25	53.13	4.11	-1.33 q	-23.8	16.3	.84	1.2
Begley Co	BGLY	22.50	22.50	22.50	.88	4.05	23.50	15.50	1.27	.01 f	.8	17.7	.72	3.2
Big B	BIGB	17.63	17.25	17.63	-.38	-2.08	18.75	12.63	.61	-.04 q	-5.7	26.7	.00	.0
Drug Sys	DRGS	7.50	6.63	7.50	.88	13.21	8.25	3.75	-.43	-.78 f	-100.0	NE	.45	6.0
Fay's Drug	FAY	10.13	9.25	9.88	.25	2.60	11.75	8.00	.20	-.50 q	-87.7	NM	.20	2.0
Genovese Drug	GDX	16.63	15.00	15.38	.00	.00	16.63	9.63	.73	-.17 q	-19.1	21.4	.20	1.3
Longs Drg Strs	LDG	34.50	32.88	33.00	-.63	-1.86	38.75	24.75	1.74	-.19 q	-9.9	19.1	.76	2.3
Medicare Glaser	MGCO	4.50	4.50	4.50	.00	.00	5.00	3.50	-.20	-.11 q	NE	NE	.00	.0
Medicine Shoppe	MSII	29.25	28.75	29.25	-.50	-1.68	32.00	21.00	.84	.15 n	18.8	30.8	.00	.0
Perry Drug	PDS	18.13	14.25	14.88	-3.00	-16.78	20.88	12.75	.98	.14 *	16.7	15.2	.22	1.5
Revco Drug	RDS	35.88	34.75	35.25	-.13	-.35	39.88	24.25	1.72	.66 f	62.3	20.5	.80	2.3
Rite Aid Corp	RAD	34.75	32.25	33.38	.13	.38	35.50	21.50	1.52	.09 q	5.6	19.7	.58	1.7
Walgreen Co	WAG	37.00	33.25	36.88	2.38	6.88	39.50	22.50	1.53	.14 n	9.2	22.1	.50	1.4
Wholesaler's transactions														
Alco Hlth	AAHS	20.75	20.25	20.38	-.13	-.61	25.38	12.75	1.10	.19 n	18.3	16.6	.00	.0
Bergen Bruns	BBCA	23.00	21.50	22.38	.38	1.70	37.25	21.50	1.82	-.26 n	-14.4	14.4	.32	1.4
Bindley Wstn	BIND	11.63	10.63	11.63	.75	6.90	12.50	7.75	.79	.09 s	11.5	13.4	.00	.0
Cardinal Distrb	CDIC	19.25	19.00	19.25	.00	.00	25.25	14.22	1.36	.40 q	40.8	13.9	.08	.4
Durr Fillauer	DUFM	12.88	12.00	12.88	.63	5.10	16.75	9.25	.78	-.02 s	-2.5	16.3	..16	1.2
Ketchum	KCH	19.75	18.13	19.75	.00	.00	23.25	14.75	.17	-.39 f	-69.6	NM	.00	.0
McKesson Cp	MCK	64.13	62.00	63.00	-.63	-.98	66.25	44.88	3.96	.37 q	10.1	15.6	2.56	4.1
Moore Med	MMD	25.75	23.63	25.13	1.25	5.24	25.75	15.75	1.45	.23 s	18.3	16.9	.00	.0
Owens & Minor	OBOD	15.13	14.50	15.13	.88	6.14	20.25	13.38	1.14	-.03 s	-2.8	14.4	.30	2.0
Manufacturer's transactions														
Abbott Labs	ABT	53.38	50.63	52.50	1.00	1.94	55.00	26.44	1.94	.32 s	17.8	24.8	.84	1.6
Am Home Prod	AHP	92.63	87.38	92.50	4.88	5.56	92.63	54.75	4.70	.40 s	8.8	18.8	3.10	3.4
Baxter Travenol	BAX	19.63	18.13	19.00	.25	1.33	21.25	12.38	.85	.43 s	238.9	31.1	.40	2.1
Block Drugs Co	BLOCA	26.75	25.50	26.75	1.00	3.88	26.75	18.69	1.84	.15 q	8.6	14.2	.50	1.9
Bolar Pharm	BLR	28.38	24.38	28.38	2.25	8.61	32.88	12.00	.71	.17 q	26.2	34.6	.05	.2
Bristol-Myers	BMY	82.75	77.88	82.38	1.75	2.17	88.50	53.63	3.86	.24 s	6.6	21.2	2.20	2.7
Carter-Wallace	CAR	78.00	73.38	76.88	3.38	4.59	78.00	32.38	3.63	1.03 q	35.9	19.7	.80	1.0
Forest Labs	FRX	19.75	17.50	19.63	1.13	6.08	20.38	10.56	.49	.15 q	37.5	35.7	.00	.0
ICN Pharm	ICN	23.00	18.00	22.00	2.75	14.29	23.00	8.50	-2.10	-2.20 s	-100.0	NE	.00	.0
Lilly Eli Co	LLY	80.00	72.88	79.50	5.25	7.07	83.50	41.50	3.69	.39 s	11.1	20.3	1.80	2.3
Lee Pharm	LPH	34.25	29.13	31.00	-2.88	-8.49	38.63	5.63	.40	1.62 n	450.0	15.7	.00	.0
Leiner P Nutri	PLIN	17.50	16.50	17.00	-1.00	-5.56	21.00	8.50	.81	.26 q	40.6	18.9	.00	.0
Marion Labs	MKC	48.50	40.25	48.50	6.13	14.45	49.63	15.63	.70	.23 f	48.9	69.3	.20	.4
Merck & Co	MRK	113.50	106.25	112.25	4.38	4.06	113.50	51.75	3.79	.76 s	21.7	26.3	2.20	2.0
Morton Thiokol	MTI	36.75	33.25	36.75	3.38	10.11	40.50	30.00	2.80	.30 f	12.0	13.1	.70	1.9
Mylan Labs	MYL	15.25	13.50	14.63	.63	4.46	18.09	9.00	.57	.24 q	63.2	23.6	.07	.5
Newport Pharm	NWPH	6.75	5.38	6.75	1.13	20.00	14.50	4.88	-.08	-.13 f	-100.0	NE	.80	11.9
Par Pharm	PARP	18.00	15.75	18.00	1.75	10.77	20.75	14.25	.47	.01 s	2.0	35.3	.00	.0
Pfizer Inc	PFE	70.88	66.00	70.38	3.13	4.65	72.88	43.75	3.44	.39 s	11.9	19.2	1.64	2.3
Robins, AH	QRAH	10.00	9.25	10.00	.50	5.26	15.63	5.50	2.53	20.85 s	NE	3.7	.00	.0
Rorer Group	ROR	38.25	35.75	37.38	1.00	2.75	47.00	32.50	1.72	5.00 s	240.4	5.3	1.12	3.0
Scherer RP Co	SCHC	19.50	17.00	19.50	1.75	9.86	19.50	11.50	-1.23	-.66 q	NE	NE	.32	1.6
Scher Plough	SGP	84.63	80.13	84.00	1.38	1.66	88.00	45.00	3.77	.44 s	12.3	20.9	1.80	2.1
Squibb Corp	SQB	124.13	116.75	123.38	4.63	3.89	124.13	65.13	4.20	.86 s	22.3	26.1	2.00	1.6
Sterling Drug	STY	49.88	46.88	49.13	-.63	-1.26	50.75	29.50	1.83	-.48 s	-19.6	24.9	1.32	2.7
Syntex Corp	SYN	72.25	66.88	71.50	3.13	4.57	72.75	29.00	4.65	3.31 n	160.7	13.3	1.60	2.2
Thompson Med	TM	14.50	14.13	14.25	.13	.89	21.00	11.75	1.18	-.44 s	-29.1	13.3	.40	2.8
Upjohn Co	UPJ	90.75	81.50	90.13	2.63	3.00	103.75	50.38	3.29	.93 s	34.4	24.8	1.52	1.7
Warner-Lambrt	WLA	62.75	57.00	62.25	3.63	6.18	63.13	33.75	-4.05	-6.15 s	-100.0	NE	1.56	2.5
Zenith Labs	ZEN	11.88	9.00	11.50	1.00	9.52	18.31	8.69	.73	.42 s	135.5	15.8	.05	.4

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISING TRENDS

Buyers see 'protectors' invigorating vitamin sales

Vitamin and supplement buyers and suppliers are searching for the new hot product that will put a spike in the category's sales—now that calcium seems to be peaking.

Few argue the category could use a jolt. Without adding the incremental business produced by calcium products last year, chain drug store volume would have been flat. Instead, chains reported a 12.3% surge in sales to a new high of $414.5 million.

Now, many are predicting protector vitamins, marine lipids and fiber supplements will be the catalysts behind what they hope will be a 10%-12% sales gain in 1986.

Perhaps the area with the greatest potential is protector vitamins—a move kicked off on the East Coast instead of the West Coast. Nutley, N.J.-based Hoffmann-La Roche saw a need to ignite sales of its raw vitamin materials. So the company funded research behind three key vitamins: vitamin A, vitamin E and Beta-Carotene.

The firm's research concluded that these protectors halt the activity of free radicals. Free radicals are molecules with an extra electron that are often unstable and, when combined with harmful elements, can lead to cancer.

Although a vitamin cannot make an advertising claim that it prohibits cancer, the research is being picked up by many newspapers and TV talk shows. Manufacturers are putting their money behind the lines in hopes the American consumer gets the message. For example:

- Vita-Fresh offers a protector line—including calcium—complete with informational neck-tags. The neck-tags tell consumers the benefits of the particular vitamins. Vita-Fresh is also using the Roche shield symbol as a way to alert customers to the line.
- Pharmavite's Chris Ireland-Culp, group marketing manager, has seen a surge in sales of the company's protector vitamins. She believes it will be one of the next hot areas.
- Jameson is rolling out Natural Health Shield, its version of the protector vitamins.
- Several concerns are grouping together the protectors and merchandising them in daily packets. Vita-Fresh, for instance, has a packet with one Beta-Carotene, one C, one E and two calciums.

Yet the reaction from the trade has been only lukewarm. "We've heard a great deal about the success of protectors back East, but I'm not sure if it'll hit this market," said Harco Drug buyer Keith Connell.

Sources at Perry, Walgreens, Longs and Peoples expressed similar thoughts. "But we are looking at it as being important," added Steve Lund, who oversees the department at Perry Drug Stores.

See **Vitamin,** *page 14*

The vitamin category: A comparison of trade classes

	Drug	Food	Combo	Discount
Average sku's per store	237	68	381	173
Average depth of each sku	93	97	155	161
Average vitamin sales per million dollars of store volume	$4,955	$281	$843	N/A

Source: A. C. Nielsen

Fay's, Schenectady, N.Y., surrounds its 8 ft. of vitamins with popular diet aids and high-traffic pharmacy, even extending part of the self-service display behind the prescription counter.

Retailers eye study's effect on peaking calcium category

Retailers agree that calcium has been the hottest addition to the vitamin/supplement category—but the shakeout of brands is already beginning.

Then, too, retailers say they are closely gauging consumer reaction to a recent Mayo Clinic report that suggests calcium supplements do little to prevent the disease called osteoporosis.

See additional coverage, pages 22, 33

The reason the category exploded, they say, was because of initial reports linking calcium to halting excessive loss of bone mass, a beginning stage of osteoporosis.

"I don't know if it [the study] will hurt our calcium sales," said Harco's buyer Keith Connell. "It hasn't yet."

Buyers from chains ranging from Vons to Perry say calcium sales are dynamic, although sales growth is slowing.

"But growth can't keep up the pace it set in 1985," explained a source at Peoples.

According to Allan G. Mottus, publisher of *The Informationist*, an industry newsletter, calcium sales skyrocketed from a meager $18 million market in 1980 to $160 million in 1985. Total volume should surpass $200 million this year. Vendors estimate it has the potential to hit $500 million.

Retailers welcomed the category because it brought shoppers back to the vitamin area—a category that had lost some of its allure in recent years. Most chains were quick to carve space out of the existing vitamin departments for the calcium entries. The category, in return, brought them attractive results.

Growth in drug stores zoomed 37% from 1983 to 1985, say suppliers, to a total of $97 million. Other retailers didn't miss out either. Food stores, for example, racked up $22 million in sales, a 72% gain from 1983. Calcium's sales growth outstrips the average 8% to 9% growth rate registered in health & beauty aids.

Calcium Facts

- 20 million Americans suffer from osteoporosis, a condition of brittle bones; another 35 million are at risk.
- Women are four times more likely than men to suffer from the condition.
- Osteoporosis is directly related to causing over one million fractures each year, which cost $4 billion annually to treat.
- The average bottle of a calcium supplement is $5.
- Some studies suggest calcium can lower blood pressure.
- Eight out of 10 women do not get the 1,000 milligrams of calcium they require daily; most women get only 500 milligrams. Post-menopausal women need 1,500 milligrams per day.
- The category garners about 15% of total vitamin footage.
- A recent study found 87% of women aware of need for calcium; 82% were aware of osteoporosis.
- An average user buys six bottles per year.

Source: *The Informationist*, Vendor data

Calcium also yields high average margins of 35% to 55%, well above average H&BA margins of 20% to 30%. Turns are a rapid nine to 10 times per year, compared with four for H&BA.

Despite the enthusiasm for the category, retailers have been reluctant to add footage to the vitamin department to house new calcium entries. And there have been so many calcium launches that retailers are sharpening their pencils to edit duplicate sku's.

"The sluggish movers will be pared," said Steve Lund at Perry Drug Stores. Perry, in fact, is pumping more support into its private-label calcium. His best national items include Os-Cal, Suplical and Cal-Sup.

Buyers say the early entries, or the sku's providing something different, are the items they'll keep in planograms. Thirty-year-old Os-Cal from Marion Labs, of course, remains the

See **Calcium,** *page 14*

MERCHANDISING TRENDS

Retailers seek ways to capture fancy of vitamin shoppers

Continued from page 13

Some say Roche's great marketing campaign has weakened following the departure of the executive who conceived it. Others feel the products will not meet with universal approval until clear anticancer claims can be made.

"You have Kellogg's who can make claims about cereal, but we can't do the same," offered Ireland-Culp. "We are lobbying to get the same treatment."

Retailers agree that some kind of uniform message and consumer education campaign is needed before the products will be widely accepted. Manufacturers are turning the tables on retailers and claiming the retailers should embark on their own educational programs and promotions.

"The retailers need to promote the category," said Anthony Spano, vp-marketing for Vita-Fresh. "A great deal of the goods have been sold to outlets like Price Club, and it's just not the right place to sell something that requires some expertise."

Others predict that more unusual items, such as Marine Lipid Oil, will capture the fancy of the vitamin consumer. K mart has had so many requests for this product (encapsulated in a soft shell) that it asked suppliers to provide it. Pharmavite will be sourcing the nation's largest retailer with its Nature Made Maxepa, a marine lipid oil. The allure of this item, said one Midwest-based buyer, is it is linked to preventing heart disease.

Still others are eying fiber supplements as the products luring shoppers to the category in 1986 and 1987. Kicked off, of course, by the dynamic success of Fibre-Trim, several fiber supplements are commanding more space in already crowded vitamin and supplement departments.

It remains a real battle for shelf space in the nation's drug stores. "We don't want to cut back," said Connell, "because we don't want to lose this business to the supermarkets. We've seen shampoo sales go out the door and we don't want that to happen."

According to A. C. Nielsen, drug stores command a 61.5% share of the nation's vitamins sales compared to 27.8% at food stores and 10.7% at mass merchants.

Yet, drug store retailers have not increased the footage to the category in the last four years. Harco devotes 4 ft. to a controlled label, 4 ft. to national brands and 8 ft. to private label.

Private label, in fact, is so strong in the vitamin area that it outsells national labels at Perry and Walgreens. That's O.K. with many vitamin companies, since they often make house labels for the chains, too.

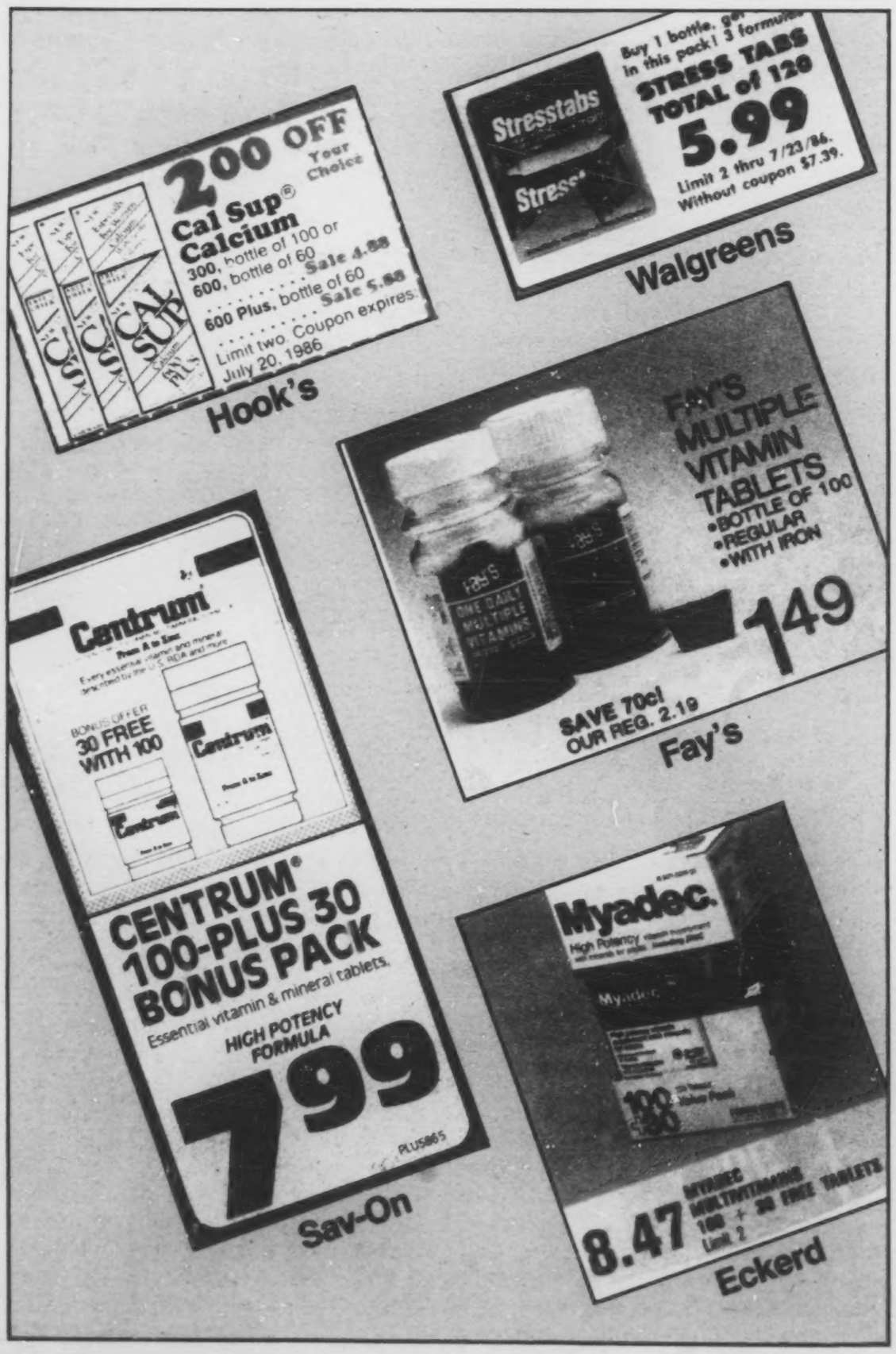
Eckerd is one of the few drug chains to buck the trend and recently enlarged its offering to include four major brands.

At Dart Drug, Washington, D.C., 12 ft. of vitamins help anchor the rear left corner of the store near pharmacy. Larger package sizes are set to the right.

"We felt our stores served markets ripe for vitamins," said a company spokesman. "We got behind the area and promoted it and sales are up dramatically."

Although older consumers purchase a great deal of vitamins, the typical profile is a woman, in her mid-30's, with some college education and residing in an urban area.

L. Perrigo, maker of Nature's Glo vitamins, estimates that half the adults in America take vitamins, including 58% of women and 42% of men.



Standby characters get retail nod in children's vitamins

A cute licensed character is no guarantee of success in the $300 million children's segment of the vitamin business.

Retailers point to the unsuccessful launches of licensed lines such as Cabbage Patch Kids and E.T. Instead, they said, the winning characters in children's brands are more traditional favorites. Flintstones, they said, is the fastest-selling children's vitamin, followed by Bugs Bunny and Scooby Doo.

Although retailers locate children's offerings on the bottom shelf—in order to catch youngster's eyes—the popularity of these more established items suggests Mom makes the selection.

To that end, some vitamin suppliers are shifting gears and hoping today's better informed mother will be more concerned with the product than with the shape of the vitamin. For example, Pharmavite's new children's chewable vitamin line has no artificial color or sweeteners.

"We're taking a slightly different tack," said Chris Ireland-Culp, group marketing manager. "We hope the consumer realizes children's vitamins and health should not be taken lightly."

But retailers say the jury is still out. They say the enormous visibility of characters ensures children will recognize a licensed vitamin.

The typical drug chain offers two or three children's lines, plus private label. The briskest moving children's lines are still the multivitamin chewable tablets.

Retailers edit calcium sku's

Continued from page 13

best branded seller with about 30% of the market. Based on a poll of buyers, it is followed by Caltrate, Suplical and Posture. Cal-Sup by 3M was also mentioned as a strong brand, but too new a contender to have an accurate reading. Cal-Sup was able to gain space on already crowded departments because it touts a low-calorie formula.

As retailers edit their calcium selection, they are eliminating certain count sku's such as too-big count sizes. According to Marion Labs' manager of public affairs, Charles Rouse, the most popular dosages are 500 milligrams and 250 milligrams. Chewable tablets, buyers add, are gaining in popularity. Formulas with added vitamin D are also moving well, buyers note.

Although recent studies show that 87% of the population is aware of a need for calcium, there have been negatives tossed at the mineral. For example, too much calcium is thought to exacerbate premenstrual syndrome. The recent study indicating that calcium does not combat osteoporosis is another hurdle.

Said one Midwestern buyer, "Women have been pretty convinced about calcium's worth; I don't think they'll change now."

And Rouse added, "Calcium supplements are preventative; we never said a cure. The importance of calcium is it reduces the risk of fractures."

MERCHANDISING TRENDS

Vendors pick up scent of copycat fragrance lode

Plan product blitz of booming segment

With the knockoff segment of the fragrance category growing prodigiously, manufacturers are tripping over themselves to enter and dominate the market.

These inroads are creating challenges for the category's pioneers and opportunities for all—manufacturers, retailers and consumers.

As chain drug store executives see it, the challenge of late 1986 and 1987 will be to filter through the myriad sku's coming into the market and identify brands and lines that will sell best.

Retailers say they will put their money on those companies:

- Who have shown a commitment to quality and service.
- Who are engaged in investing at least some money in consumer advertising "to build demand and trial."
- Who are avoiding advertising or packaging that could mislead the public into thinking they are buying original designer fragrances and not copies.
- Who have the better-looking displays and packaging "to create impulse sales from the shoppers already in the stores."

For their part, manufacturers say they recognize the need to get their marketing message across to consumers now, while "the category is still young and consumers haven't made up their minds yet as to who are their favorites," as one source put it.

Many ADF manufacturers will be launching their first major consumer advertising campaigns in late 1986 or early 1987. They will be blitzing the market with new products, new line extensions, their own branded fragrances as opposed to copycat brands of successful designer fragrances, their own giveaways and value-pack promotions, and, of course, dozens of new packs and new displays designed to make their brands stand out in the stores and generate those crucial impulse sales.

The most extensive advertising and promotional program is being offered, as one might expect, by Parfums de Coeur, the industry leader that is so far the only ADF manufacturer with national distribution in virtually all of the chain and major high-volume independent drug stores, and whose sales account for approximately 80% of the category's estimated volume.

ADF's: The beginning

The oldest and most established of the ADF manufacturers, Stamford, Conn.-based Parfums de Coeur was incorporated in July 1981, and its first brand, Ninja, was on the shelves in mass merchandise retail outlets for Christmas 1981.

Virtually overnight, Ninja, a variation of Opium, became a strong seller. Mark Laracy, Parfums president and founder, attributes Ninja's success to its quality plus the fact that designer manufacturers charged so much for fragrances like Opium and created such a heavy demand for the scent through their massive advertising campaigns that a gap existed for low-priced alternative fragrances like Ninja to fill.

Parfums de Coeur has 10 brands on the market; eight are women's fragrances like Primo (Giorgio) and Confess (Obsession) and two are men's fragrances: Lancer (Polo) and Apollo (Aramis).

Despite Ninja's and Parfums de Coeur's success (the company's sales in retail dollars will hit about $100 million by the end of 1986, Laracy estimates, up about 50% over last year), other manufacturers didn't rush to join in developing the category until Primo hit it really big at Christmas last year.

Primo hot

Primo, according to drug store chain executives, was the best-selling fragrance at Christmas. The brand was so hot that many retailers who were slow to spot the developing trend were sold out several weeks before Christmas, and many chains reported scrambling to try to get supplies into their stores.

When Ninja started, Laracy, a former Charles of the Ritz executive who helped launch Opium, invested in comparable essential oils so he could control the quality of Ninja and ensure that consumers who tried it as an Opium alternative would not be disappointed.

To get the initial impulse sales, he also invested in elegant packaging and eye-catching displays that invited consumers to try first Ninja and later Primo and the others and compare them to the originals.

That competitive theme, "If you like Opium, you'll love Ninja," is still in use today. But in 1986, Laracy said he will spend about $4 million in national media to get the message across to consumers, compared with about $2.5 million in 1985 and $300,000 in 1982, Ninja's first full year on the market.

Scent strips

For the first time, Parfums de Coeur this year will do a major scent strip campaign in national women's magazines, geared to build demand at Christmas.

The challenge . . . will be to filter through the myriad sku's coming into the market and identify brands and lines that will sell best.

The strips will be featured for three consecutive months (October through December) in major magazines like *Glamour, Seventeen, Self, McCall's* and *True Story.*

In addition, Parfums will be mailing some 20 million scent strips in chain drug catalogs, including Eckerd, Osco and Longs. Last year, when Parfums used a scent strip to promote Primo in Eckerd's Christmas catalog, sales surged dramatically.

Parfums will also feature its Designer Imposter body sprays in "six to eight major women's magazines a month" to keep its brand name in front of the public all year.

For Christmas, Parfums is predicting that Confess (a variation of Obsession) will be this year's Primo.

The company is bringing out a Confess gift set for Christmas, a new 3-oz. spray perfume that will sell for $7.50.

Deborah International

Deer Park, N.Y.-based Deborah International, which makes approximately 12 alternative fragrances right now, is tying in with chain drug store retailers in an industry first: customized co-op fashion ads for ADF's in regional editions of popular magazines like *Seventeen*.

Deborah, which began distributing ADF's to mass market stores in January, used its co-op dollars with Peoples Drug to finance what may be the industry's first customized magazine print ad for ADF's: a regional ad in the August issue of *Seventeen*. The ad featured Deborah's popular line of 1.7-oz. Scent Sational Scents for $7.50 each under the headline: "Now You Can Have Them All." The ad tied in Peoples with the tag line: "Available at Peoples Drug, Your Family Pharmacy."

Deborah's president, Deborah Richman, said the company is planning to do similar "customized' ads with other drug chains. The company is also using art director Virginia Peshkin to create additional fashion ads as well as in-store displays for companies like Peoples, Gray Drug Fair and Austin Drug.

In addition, Deborah is beginning to advertise directly to consumers in major print publications like *Cosmo* and *People*. Its first ads, featuring scent strips that invite consumers to try and then compare a wide variety of Deborah fragrances to the original brands, are breaking this fall and will run through the Christmas holidays.

Deborah is also in the process of rolling out its version of Poison. The Deborah version, Hemlock, will begin shipping next month and should be on retail shelves in time for Christmas.

Deborah is also planning a series of value-added promotions for 1987, including one that will break in time for Valentine's Day, highlighting the company's new purse-size fragrances, which will retail for about $4.

The company has just introduced a new four-sku line of alternative designer men's fragrances called the Champion Collection: Player (Polo), Equus (Aegean), Hunter (Halston) and Prince (Giorgio) and is about to launch a new body talcum powder and body cream. Both will be available soon in prepacks.

For Mother's Day, Deborah will be doing its first gift set: a pack of six designer fragrances, a ½-oz. each of six ADF perfumes for $7.50.

Richman said that for the quality, the price is exceptionally low.

"Our first priority," she added, "has always been quality. Our master chemist, the man who creates our perfumes, has also developed some of the best-known designer brands in the world. We also purchase the most expensive essential oils containing a 16% to 20% concentration."

Delagar products

Delagar Products Inc., based in Rouses Point, N.Y., began upgrading its category line last summer in response to its own consumer research into how and why consumers use alternative designer fragrances.

Delagar, which entered the ADF market initially with a six-unit line of copycat fragrances packaged under the Fashion Scent label, is now introducing a more upscaled version of alternative fragrances called Mystic Impressions.

Delagar will keep Fashion Scents, which is now an eight-sku line of spray colognes, but Mystic Impressions will be marketed as a line of concentrated colognes packaged in 24% lead crystal bottles imported from France.

Delagar is also introducing Classic Match, a line of knockoff colognes for men, as well as a new line of Mystic Impressions perfumed dusting powders.

Delagar will also bring out its own version of Poison in time for Christmas.

The company's director of marketing, Charles Royce, said Delagar will probably begin doing some consumer advertising next year and that Delagar will definitely be doing some value-added promotions, including free gift with purchase by next spring.

Delagar is also offering shoppers a money back guarantee if they are not fully satisfied with their purchase. Royce pointed out that Delagar believes it has a particularly strong quality story to tell consumers because they make their upscale fragrances with a stronger content of essential oils, the ingredients that, depending on their mix and quality, determine length of wear and appeal of the scent.

Mystic Impressions, for instance, is made from a base of 20% essential oils, compared with the base of just 7% used in Fashion Scent.

The company spends much of its marketing money on innovative packs (featuring curved boxes and pictures of the bottle on the pack itself), plus a selection of displays designed to be classy and elegant.

Dessini

Columbus, Ohio-based Dessini Corp. first began distributing ADF's in mass market outlets around Christmas 1984. President Sherry Dessini said her company will be

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Who's who in alternative designer fragrances

Company/ headquarters	Date of incorporation	Date of initial distribution	# of stores with product*	% that are drug stores	# of ADF brands	Est. '86 wholesale/ factory $ sales (millions)**
Parfums de Coeur Stamford, Conn.	7/81	12/81	20,000	65%	10	$60
Parfum Similaire Rutherford, N.J.	10/81	12/81	3,000	98%	52	—
Delagar Rouses Pt., N.Y.	10/46	11/83	7,000	40%	19	$3
Preview Products Malibu, Calif.	8/84	9/84	5,000	95%	6	$3
Dessini Columbus, Ohio	1/84	12/84	5,000	50%	12	$2-$5
Lenox Laboratories Shaker Heights, Ohio	3/84	6/84	20,000	40%	7	$12-$15
Ingenue Winter Springs, Fla.	12/82	6/85	1,000	50%	20	$1
Westport Labs Fairfield, Conn.	1/83	8/85	11,000	90%	2	$5-$7
Deborah Deer Park, N.Y.	10/85	1/86	20,000	70%	12	$15-$20
Michelle Michaels Roslyn, N.Y.	1/83	1/86	1,500	98%	35	$3-$5
Dynamite Enterprises Miami, Fla.	4/72	2/86	1,000	80%	3	$1
Yaz Miami, Fla.	10/85	4/86	2,500	75%	15	$5-$10

*Estimates include projections for distribution at the end of calendar 1986
**Estimates are for wholesales sales at the end of calendar 1986

Source: *Drug Store News* survey

MERCHANDISING TRENDS

Fear of osteoporosis has made calcium trendy

As if there weren't enough to worry about, the makers of calcium supplements have raised another red flag. Add to the long list of fears—a list that includes fear of body odor, bad breath, dandruff and unsightly spots left by dishwashing detergent—the latest cause celebre: osteoporosis.

The so-called silent epidemic—there are no warning signs before the onslaught—is characterized by brittle, porous bones that tend to fracture, a spine that tends to compress, and a posture that as a result tends to be stooped and shriveled—the so-called dowager's hump. Sufferers can lose 4 to 6 in. in height.

Osteoporosis affects between 15 and 20 million Americans, particularly those who are small-boned, fair-skinned and female. It is more common in older women than arthritis, diabetes, heart attacks or breast cancer—so common, in fact, that 1 out of every 4 white women over 60 will suffer from it. And its incidence is likely to soar more as Americans abandon milk and related foods—dairy products being the prime source of calcium—and opt for diet sodas and coffee, which drain calcium from the system.

It is drainage ill afforded, for the National Center for Health Statistics reports that 80% of those over 35 fall short of the U.S. Recommended Daily Allowance of calcium, causing the body to sap the calcium from the bones and thus weaken them. And once that happens, and osteoporosis sets in, no treatment can halt or reverse it. The key is prevention—building strong and healthy bones before the onset of menopause.

In marketing terms, that means directing the calcium supplement pitches at women 20 to 40—and often frightening them with visions of crippling disfigurement. The result is a market that has shot up "90% between 1984 and 1985, faster than the cough-cold, laxative, antacid and analgesic markets," says Sam Alioto, product group manager for Lederle Laboratories' Caltrate.

Targeting calcium products

In 1980, total sales for calcium supplements reached an estimated $18 million at wholesale, says Charles Rouse, public affairs manager for Marion Labs, makers of Os-Cal. Now sales are over $120 million ($160 million at retail) or almost seven times what they were in 1980.

"Calcium is the vitamin C or vitamin E wonder drug of the mid-80's," adds Paul Fraioli, group marketing director at Norcliff Thayer, which makes Calcimax and calcium carbonated Tums, a 70-year-old product whose principal ingredient is calcium carbonate and which is cashing in on the calcium crusade.

Os-Cal, the oldest entry in the field, is also the largest with approximately a 30% dollar share of the market. Lederle's Caltrate commands about 15% and Nature Made, 5%. Miles' Labs' BioCal, Ayerst's Posture and Mission Pharmacal's Calcet account for another 2% each. Dozens of other brands, private labels and generic supplements make up the remaining 44%, with other giants poised to enter the market including Warner-Lambert with Suplical and American Chicle with Theracal.

Increasing awareness

The calcium crisis of the 1980's seems to have arisen as abruptly as did the oil crisis of the last decade. Suddenly, doctors and their patients have discovered that osteoporosis need not be an inevitable part of the aging process.

While it's possible to get too much calcium (a fact the ads fail to mention) the bet is the calcium market is going to surge, with future sales directed to men worried about high blood pressure and colon cancer, two other areas that calcium benefits. And, though the supplements will grow with that surge, it's nice to think of getting calcium the old-fashioned way—with cookies, of course.

Elegant ADF packaging bolsters sales

Continued from page 21

putting its promotional investment dollars back into the stores with co-op advertising.

New packaging doubles sales

Earlier this year, in time for the Mother's Day promotions, Dessini repacked its line, changing its color tones from red to yellow with black print to develop more in-store attention. Since the repack, she said, her sales have doubled.

Her 2-oz. spray mists, with a suggested retail price of $7.99, come in prepacks of 36 with a tester and a riser card comparing the Dessini brands to the originals.

Dynamite Enterprises

Miami-based Dynamite Enterprises imports and distributes ADF eau de toilette sprays formulated, bottled and packaged in France. The designer-like bottles are made in Italy.

Dynamite, in business since 1972, just began distributing ADF brands in February: Lola (a replica of Lauren) and Power (a replica of Polo).

The company last July began shipping a third replica, Ivory Lace (White Shoulders).

Dynamite's eau de toilettes carrying a suggested retail price of $14 for each 3⅓ oz., while a new 1.7-oz. spray, first introduced at the NACDS cosmetics show in Orlando, carries a $6.95 srp.

Ingenue

Orlando, Fla.-based Ingenue has been in business since Christmas 1982 and distributing ADF's into drug stores since June 1985.

The company has 20 brands right now, all perfumes. Ingenue's initial distribution was to beauty salons and specialty apparel stores. The company specializes in replicating classics like White Shoulders and Joy as well as making variations of designer fragrances.

Recently, Ingenue changed its packaging and displays from a blue theme to pink and white, which vp Lyn Carlton said is selling "very well."

Lenox Laboratories

Lenox Laboratories, Shaker Heights, Ohio, started in business just two years ago. Their Great Pretenders line features perfumes—no colognes—that come packaged in the new blister-carded purse sprays as well as in the French-style flacons of the original Rose Collection.

The Rose Collection comes in 24-piece counter prepacks or a 36-piece floorstand. Each display features the Great Pretenders brand name and has print telling shoppers they can save up to $53 if they try "our version of" such fragrances as Giorgio, Obsession and Opium.

Starting this month, Lenox will also be advertising nationally. The company plans to spend $400,000 in print and $300,000 on TV to support Great Pretenders through Christmas.

Michelle Michaels

Roslyn, N.Y.-based Michelle Michaels has been distributing ADF's and private-label fragrances to beauty salons since early 1983, but only began distributing ADF's to drug and other mass market retail outlets in January.

With 35 brands, Michelle Michaels is one of the few ADF manufacturers to offer a full line of branded products. Their marketing plans, according to Shahara Chemes, vp-creative marketing, are to position the company as more than just the manufacturer/distributor of a few knockoffs.

"Our strategy," Chemes said, "is to offer value-priced quality alternatives to working women interested in a wide selection of brands and fragrances."

Their initial promotion dollars are also going into imported bottles and packaging.

Next year, Michelle Michaels will be coming out with its own nonreplicating brand, Shahara.

Parfum Similaire

Parfum Similaire, Union, N.J., founded in October 1981 and now a division of CCA Industries, has a line of 52 knockoff fragrances (32 women's brands and 20 men's) on the market.

They sell for $4 for a ⅓-oz. perfume spray.

Parfum Similaire has just come out with new packaging that highlights a swirl bottle with a gold cap displayed in an open tray.

Company president Morton Edell said plans are to advertise in *Harper, Vogue, Cosmopolitan* and other major women's magazines on a regular basis in late 1986 and on through 1987.

Preview Products

Malibu, Calif.-based Preview Products, makers of the La Parfumerie brand of ADF sticks, is about to launch a more upscale line called Perfect Scents, which will feature three brands: Rodeo, L.A. and Park Avenue.

In addition to more upscale packaging, the Perfect Scents line will include a 0.5-oz. perfume and a 1.8-oz. eau de perfume, both to retail for about $7.50.

The fragrance stick replicas of Giorgio, Lauren, Channel #5, Obsession and Opium will be joined by Channel #19. The sticks generally retail for about $2.99.

Cosmetic Centers, a regional chain of cosmetic and health and beauty aids stores in the Washington market, is testing both the liquids and the sticks in pegged sections at the cash register and in cosmetics.

President Alfred Booth said the placement is designed to generate impulse sales from women "who don't necessarily go up to the fragrance counters to shop.

"If we put a low-priced $3 perfume stick near the Maybellines and the Revlon sections, we will get people to try the line," he added.

Westport Labs

Westport Labs, Fairfield, Conn., which has two ADF's on the market, Juliano (Giorgio) and Ecstasy (Obsession), is continuing to promote its specific ADF brands by doing customized sweepstake promotions with major drug chains.

President Ed Sanford said the promotions will run at different times of the year so each chain will be able to offer an "exclusive."

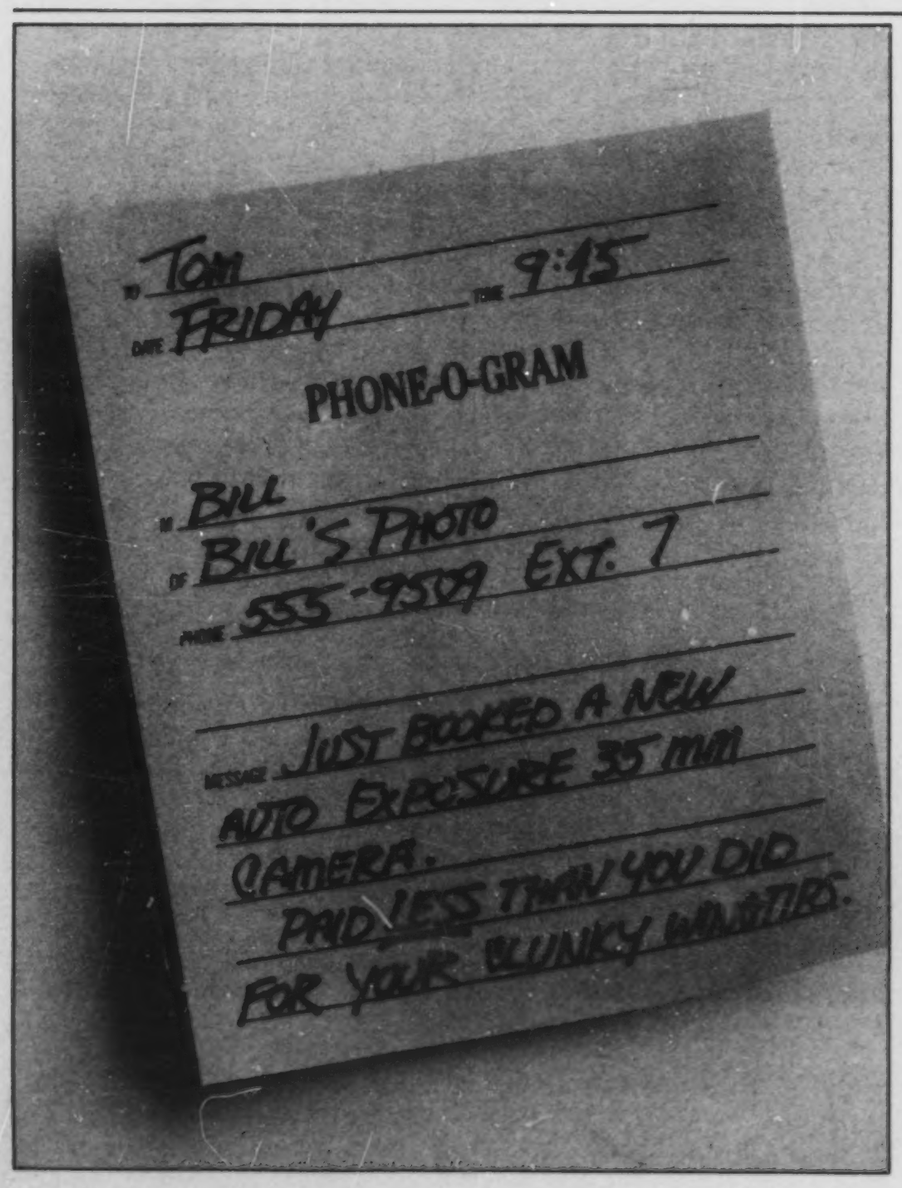
Westport is also supporting Juliano and Ecstasy with four-color, full-page ads in November in national magazines.

Yaz Enterprises

Miami-based Yaz, with 15 ADF brands on the market, is currently shipping its latest replication, Alexandria, an imitation of Obsession.

Shelkly Schwartz, vp-sales and marketing, said Yaz is also "delving into" the possibility of consumer advertising and will probably have a consumer campaign by 1987.

This fall, Yaz will do its first "buy-one-get-one-free" promotion. Working with chains like Big B in Alabama to promote its 1-oz. fragrances, Yaz will offer shoppers a free $6 eye shadow with every 1-oz. purchase of a perfume.



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Will Kodak gain foothold?

Retailers seek ways to power battery sales

Drug store retailers have so far had mixed reactions to Kodak's first battery offerings.

Walgreens, Longs, Gray Drug Fair and Adams are among chains that will add the Supralife line, because they sense growing demand for high-performance alkalines. They also anticipate Kodak's media campaign this fall, which they expect to help drive batteries and film cross-merchandising efforts.

Other chains feel Kodak is just duplicating sku's. Operators such as Big B, Austin and Snyder's expect 10% to 15% annual category sales growth to continue—powered by aggressive promotions and field support from Eveready, Duracell and Rayovac.

The air is charged, and retailers are taking different approaches to increase their battery business.

Space made for Kodak

To make room for Kodak, Gray Drug Fair is eliminating facings of all its general purpose batteries, without increasing pegged space for batteries at the front end. Gray is picking up Kodak's 4-pack AA, twin-pack C, 2-pack D and 4-pack AAA, but will hold off on the nine-volt lithium battery, believing customers aren't ready to pay the higher price point, said Allan Cohen, Gray's merchandising manager.

By doing this, Cohen will replace lower-ticket general purpose batteries with the higher-priced alkalines.

A spokesperson at Walgreens confirmed it is picking up the Kodak batteries chainwide.

But others believe the vendor's new gold-tipped contact points aren't enough of an innovation to set the product apart from the others, in what many consider to be a commodity category.

"The only time you want to take in new items is if you feel you are going to increase sales in the same amount of space," said Marty Milman, Austin's head buyer.

Austin achieved 125% growth in its Duracell sales this year, which Milman attributes to "reliable store support from Duracell's merchandising managers, and its national advertising."

At Big B, battery sales shot up 60% in the past year, pushed by Rayovac's $1 rebate program and sharp sales of its year-old six-count "Smart Pack" at $5.77, said Big B buyer Paul Bruno.

Bruno said he felt Kodak was "uncompetitive" in its set-up money and display allowances. "They need to sharpen their pencil up a little bit if they want to get the retailer's eye," said Bruno, who displays 8 ft. batteries on end-caps in high exposure front-end locations.

On the other hand, Snyder's Drugs merchandising manager, Lance Clark, has no problem with Kodak's prices and allowances, but believes the product isn't filling a need. "All it's going to do is fragment the business. I was looking for something new and different. But it's the same size of battery at the same price point," Clark said.

Snyder's is picking up the nine-volt lithium battery to test customer's reaction to the new technology, he said. The lithium batteries last twice as long as alkalines and retail at one-and-a-half times the alkaline price, according to Kodak.

Self-service film drop and battery displays are set conveniently by the walk-in of a new Dart Drug in downtown Washington, D.C., which attracts heavy lunchtime traffic.

Average household buys 27 batteries per year

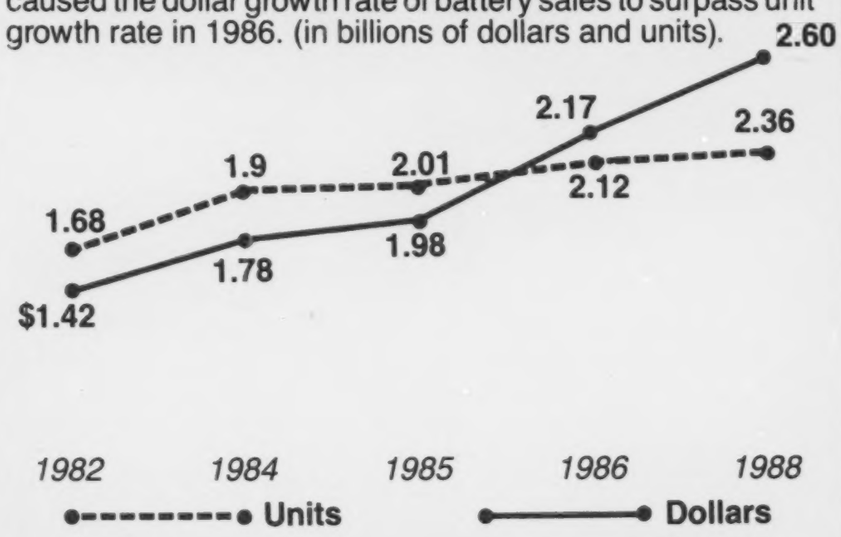
An emerging segment of heavy battery users is sparking battery sales growth. The heavy-user household buys an average of 92 batteries per year, compared to 27 by the average household.

Heavy users make up 20% of U.S. households and account for 71% of all battery sales. Their purchases are tied to growing sales of such battery-operated devices as stereo cassette players, portable televisions, and upgraded AM/FM radios. Women buy 55% of batteries, and as heads of heavy-user households, are more aware of price/value.

(Source: National Family Opinion Consumer Purchase Diary)

Battery growth

Greater sales of alkaline and heavy-duty grade batteries caused the dollar growth rate of battery sales to surpass unit growth rate in 1986. (in billions of dollars and units).



Source: A. C. Nielsen, NFO Consumer Purchase Diary. Annual dollar growth rate will continue at 9% to 10%, and annual unit growth at 5% to 6% through 1988. Unit sales of alkaline batteries will increase from 54% of the market in 1985 to 59% in 1988. Heavy duty will grow from 25% to 27%. General purpose will decline from 21% to 14%.

What powers battery sales

Product	1980	1985
Radios, radio cassettes, and cassette recorders	28%	32%
Flashlights	21	19
Toys/games	20	18
Photo equip.	9	9
Clocks	3	4
Calculators	6	3
Smoke detectors	2	3
Lanterns	1	2
Others	10	10

(Source: National Family Opinion Consumer Purchase Diary)

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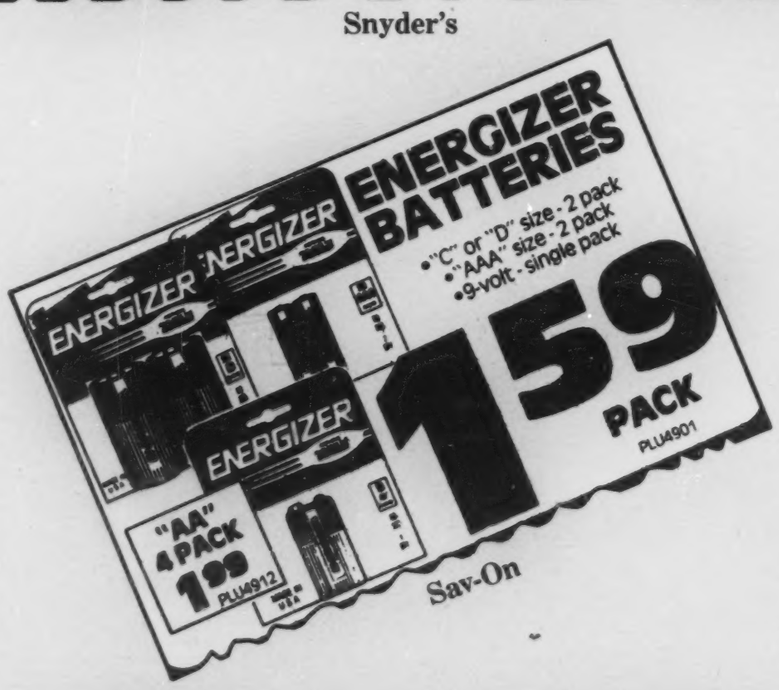

Osco

Film

Continued from page 16

Sav-On promoted a 2-pack of Kodacolor VR disc film for $4.29.

Sav-On emphasized specials on prints and color enlargements, including regular size prints from slides at 39¢, color reprints from negatives at 10 for $1.79, and its own Sav-On color print film, 24 exposures at $1.99.

SupeRx advertised an everyday special of a second set of prints free.

Longs promoted Fuji 24-exposure color print film at $2.39 to $2.79 and a CD disc 2-pack at $3.99.

Besides promoting color print processing and enlargements, Osco Drugs offered a second set of prints for 8¢ per print.

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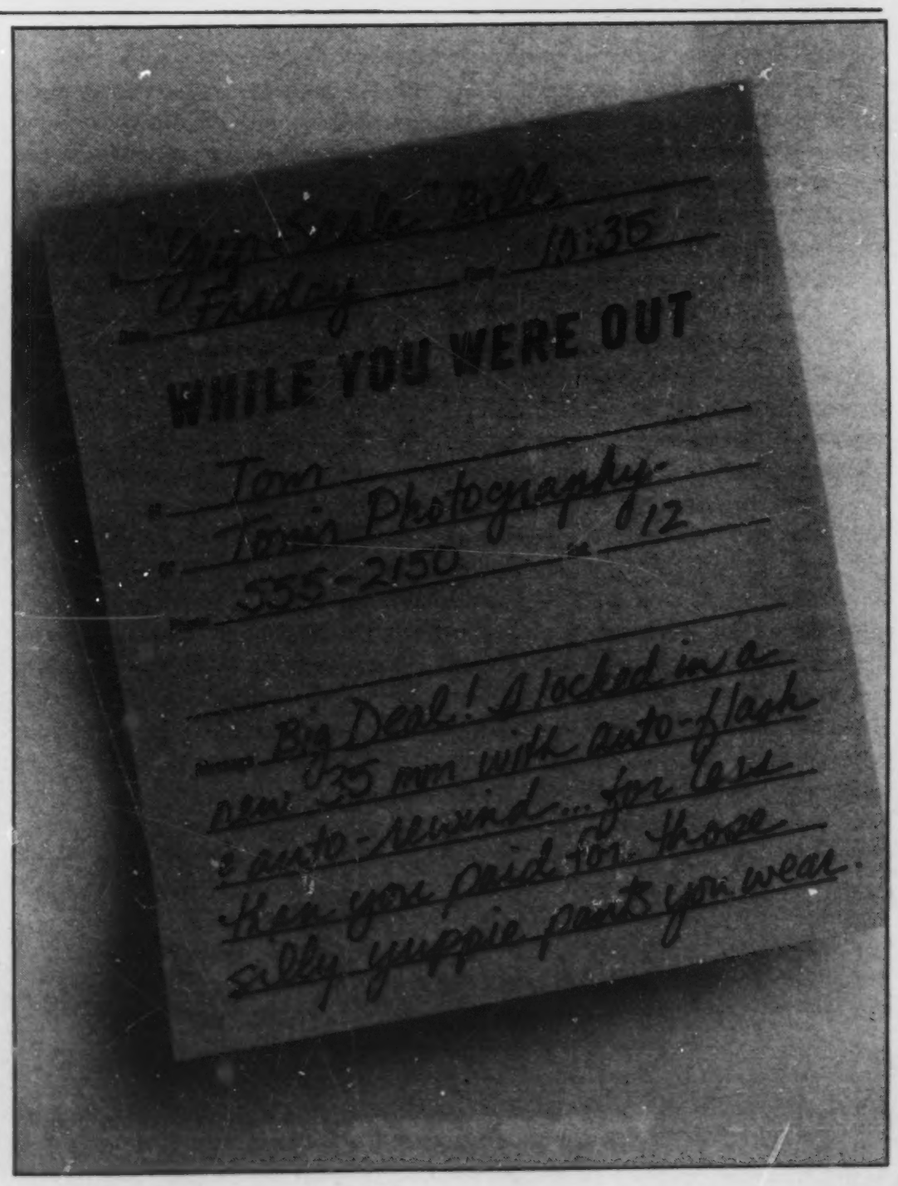
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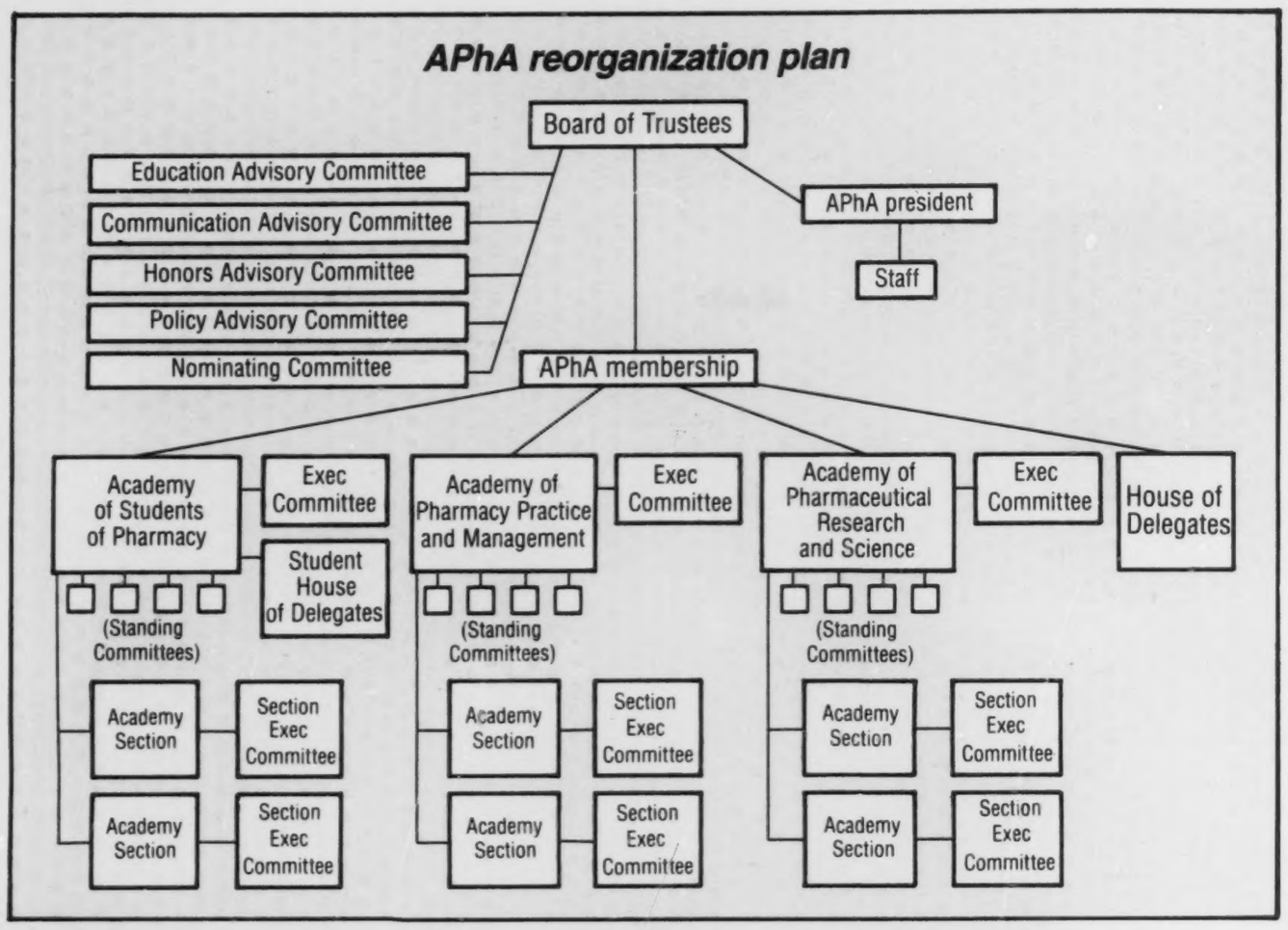


APhA scraps plan to open membership to nonpharmacists

WASHINGTON — Responding to strong opposition from rank and file pharmacists, American Pharmaceutical Association leaders scrapped controversial plans to open the organization's membership to nonpharmacists.

Instead, APhA's Board of Trustees unveiled a drastically revised reorganization plan they said would preserve the 134-year-old association as "an organization by, for, and of pharmacists."

The reworked proposal, scheduled to be presented to APhA's House of Delegates this month, calls for three distinct sub-organizations to "conduct the major activities of APhA through standing committees":

- A broadened Academy of Pharmacy Practice and Management (APPM) representing the interest of pharmacy practitioners.
- An expanded Academy of Pharmaceutical Research and Science (APRS) to serve "the research and science interests of all members" of the association.
- A new Academy of Students of Pharmacy (APS) to replace the current Student APhA.

Academy membership

Unlike the plan advanced by APhA's board last October, association members will not be required to hold membership in any of these academies. Moreover, the board's controversial earlier plan to abolish the elected executive committees that currently administer APhA's academies was dropped.

However, the posts of the current academy presidents still would be abolished under

See **APhA,** page 36

Analysts see new antianxiety drug expanding market

NEW YORK — Wall Street analysts predict that Bristol-Myers' new nonaddicting antianxiety drug BuSpar (buspirone) will rock the $1.1 billion retail market for tranquilizers.

"BuSpar is a very significant new product that should expand the market for antianxiety drugs by as much as 40%," said Christina Heuer, health care analysts for Kidder Peabody & Co. in New York.

At presstime, Bristol had received a letter from the F.D.A. informing the huge drug maker that its new drug application BuSpar, filed in late 1982, was "approvable."

Heuer said Bristol may receive formal F.D.A. approval for the drug early this month, and launch the drug in the fall.

BuSpar has caught the attention of Wall Street because it is the first of a new family of antianxiety drugs that is not a benzodiazepine, a class of drugs that includes Valium and Tranxene. Benzodiazepines cause drowsiness, may be easily abused, and cannot be taken with alcohol.

Moreover, the benzodiazepines and their analogs are classified as controlled substances and therefore are considered "scheduled," meaning that physicians prescribing these drugs limit the number of refills and must fill out a number of forms.

Consequently, the total market for the benzodiazepine family of compounds has declined dramatically over the past 10 years. Kidder Peabody analyst Heuer said that during the mid-1970's, the to-

See **Drug,** page 30

Educator lists ways to boost supermarket pharmacy profit

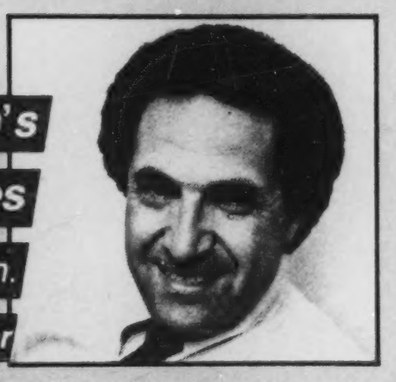
WASHINGTON — Squeezing more Rx productivity out of pharmacists is the key to turning in-store supermarket pharmacy departments into "profit bonanzas," Harvard Business School Professor Walter J. Salmon told the nation's grocery chain executives.

Speaking at a recent workshop sponsored by the Food Marketing Institute (FMI), Salmon revealed that the typical supermarket pharmacy must fill 67 prescriptions daily just to cover direct labor costs—particularly "high" pharmacist salaries and fringe benefits which average $40,000 to $45,000 annually.

Noting that food store phar-

See **Supermarket,** page 36

Indys have potential to cash in on Rx market



Cohen's Capsules

Harold Cohen, R.Ph.

Pharmaceutical Editor

Question: True or False: The independent pharmacy is in trouble?

Answer (Pick only one):

A. True
B. False
C. Both of the above

I admit, it's a difficult question to answer, but I picked C.

If you read the preliminary results of the 1986 Lilly Digest report (see Aug. 4 issue), you may have been tempted to answer A. According to that report, net profits of the average independent drug store dropped 7% despite reaching all-time high sales of $589,000.

Although the independents' 1986 profit picture paled in comparison to the average growth rate of 9% over the past 10 years, I believe the indys are in the best position they have ever been to cash in on the pharmacy market. I base that statement on several factors.

One major force has been the rapid growth of pharmacy technology and its affordability for the independent. With a pharmacy computer system, the indy can now fight the pharmacy battle on the same front as the big boys.

In another area, with the proliferation of third-party plans, patients can now get their prescriptions filled in virtually any drug store for the same copayment fee. The urgency to save money by traveling to a chain location is gone.

Also, there is a move afoot to make the pharmacy department the focal point of the drug store once again. Pharmacists in both chains and independents are being encouraged to act as consultants on prescription as well as over-the-counter medication—a feat easily accomplished by the independent, but one the chains have really got to work at.

And in the buying department, deals for independents have never been better. Wholesalers, the key suppliers for many indys, have bent over backward to supply them with special deals that come close to what the chains pay for their product. Moreover, with the formation of buying groups, the indys have the capability of buying exactly as the chains.

But I could have just as easily answered the question with A. Although I feel that the independents are in the best position to claim their stake in the market, I fear many will remain complacent instead of accepting the challenge to build business.

To accomplish the goal of making the independents strong again, they have got to be aggressive.

Buying groups and wholesale cooperatives are a must. Buying power is a key to success, but it will only unlock one door. The independent must learn to market his abilities as a consultant and advertise those services.

Overview of minor tranquilizer market
Total minor tranquilizer market: ***$717 million***
Total prescriptions: ***67 million, of which 58 million were for the benzodiazepines***
Antidepressants
Site-stimulant tranquilizers (combination agents): ***$134 million, 10 million scripts***
Psychostimulants (which have antianxiety effects): ***$231 million, 25 million scripts***
All figures are for period from June 1985 to June 1986. Dollar figures refer to pharmacy acquisition costs.
*Source: PDS, a division of McKesson

Antianxiety drug impact seen

Continued from page 29

tal prescription volume for these compounds topped 90 million scripts per year. Last year, she estimated the number of scripts was 60 million.

Drug analysts predict that BuSpar should pick up the slack in the overall benzodiazepine market, and take away more market share from Librium and Valium. "The drug has a number of advantages because it does not cause drowsiness, is nonaddicting, and probably will not be controlled," said David Saks, drug analyst with Morgan, Olmstead, Kennedy & Gardner in New York.

Saks estimated that BuSpar should bring in $300 million to $400 million in annual sales after three years on the market.

Kidder Peabody analyst Heuer added that BuSpar would bring more anxious patients into therapy because it could be used on a continual basis.

The F.D.A. reportedly has indicated that it will not recommend BuSpar to be classified as a controlled substance.

At presstime, details were not available on how Bristol would market the drug. However, it seems likely that its Mead Johnson Pharmaceutical Division will market the drug, since that division did a majority of the research on it.

The exact mechanism for BuSpar's antianxiety effects are not known. But according to a symposium sponsored by Mead Johnson and published as a supplement in *The American Journal of Medicine*, the drug alters the gamma-aminobutyric acid (GABA) system in the brain in a manner different from the benzodiazepines.

It is generally thought that BuSpar has more specific effects on the brain's neurotransmitters than the benzodiazepines.

Clinical trials with the drug have indicated that BuSpar causes less drowsiness than the benzodiazepines and can be taken with alcohol. Earlier in the year, results from double-blind studies at three medical centers showed that BuSpar had less of a sedative effect when compared to Tranxene. The study compared 255 anxious patients taking up to 60mg of BuSpar daily with 81 patients taking up to 90mg daily of Tranxene.

After a battery of tests, researchers concluded the two drugs were about equally effective in relieving symptoms of anxiety. However, only 13 of the 255 BuSpar patients reported drowsiness and/or fatigue, whereas 33 of the 81 patients taking Tranxene reported such side effects, according to Jay Cohn, M.D., clinical professor of psychiatry at the University of California, Los Angeles, lead author of the study.

In a telephone interview with *Drug Store News*, Dr. Cohn said he believed BuSpar would "probably be prescribed by a lot of physicians."

Other studies with the drug have shown that it does not react significantly with central nervous system depressants such as alcohol and is neither a muscle relaxant nor an anticonvulsive agent. BuSpar's side effects include dizziness, headaches and diarrhea.

Dr. Robert E. Rackel, professor and chairman, department of family medicine at Baylor College of Medicine in Houston, conducted a year long study of BuSpar for patients suffering from anxiety. The study, conducted while Dr. Rackel was at the University of Iowa, Iowa City, showed BuSpar was most effective for patients suffering mild to moderate anxiety.

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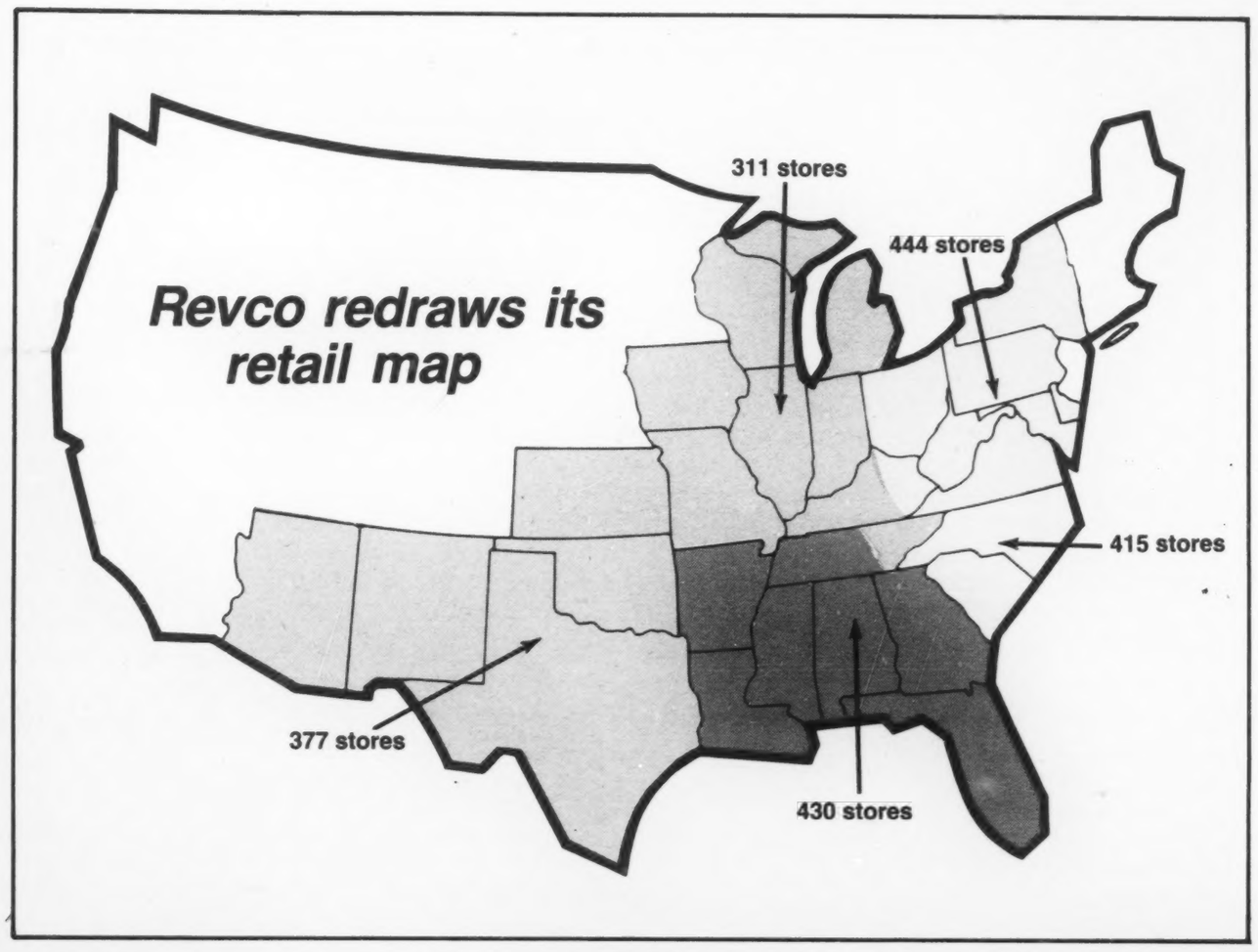
DRUG STORE NEWS

Vol. 8/No. 20 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. September 15, 1986



Revco revamps its field network

Efficiency move anticipates buyout

By Dave Vaczek

TWINSBURG, Ohio — Revco has completed a major reorganization of its field network, in a further step toward streamlining operations before the company goes private.

The changes—which will tighten the chain of command and redraw regional and district boundaries—were announced days after Revco's Board of Directors approved a $1.25 billion buyout from a management group led by Revco officers. The deal now requires stockholder approval.

The restructure is intended to increase the efficiency of operations, which analysts say must be a priority for the private company to handle its high debt service after the leveraged buyout.

5 regional zones

It divides Revco's 28-state operating area into five regional zones, containing 64 districts.

Neil Roth, Revco's vp-marketing, said the five regional divisions will make it easier to focus seasonal merchandising programs geographically. The new district boundaries delineate markets based on factors such as similarity of store merchandise and advertising zones, Roth said.

See **Revco,** *page 66*

Safeway cuts HQ workers

OAKLAND, Calif. — Safeway Stores Inc. laid off 25% of its California corporate workforce, anticipating a major restructuring under Kohlberg, Kravis and Roberts Associates, which is buying the supermarket chain.

Safeway management said 300 administrative and clerical employees in the Oakland corporate offices and in the supply division at Walnut Creek were given notice Aug. 18. The move was a preparation for drastic belt tightening that the 2,365-unit operation expects once KKR completes its $4.2 billion buyout. The deal was endorsed by the Safeway board on July 25.

See **Safeway,** *page 66*

Bolger retirement

ALEXANDRIA, Va. — In a change of plans, Bob Bolger, president of NACDS, will retire at the end of 1987 instead of spring 1989. See News in Brief, page 2.

Marc's spreads its smarts to Akron

CLEVELAND — Marc's, owner of five of the industry's highest volume stores, is rolling into Akron.

In its first foray outside Cleveland, the deep discount pioneer is launching two stores, one in the Plaza at Chapel Hill center that has 22,000 sq. ft. of selling space and one scheduled for a Sept. 22 opening in the Fairlawn Plaza (17,000 sq. ft. selling space).

The new units will follow Marc's much-emulated merchandising formula, which has created the two highest volume deep discount stores —the $30-million-a-year Marc's in Middleburg, and Bernie Shulman's $22 million unit in Mayfield Heights, named after the late founder.

Marc's combines ultra-low prices on drugs, H&BA, food and sundries with a unique presentation of merchandise that other operators have largely tried and failed to duplicate.

Value impression

The stores feature massive food and beverage displays, speed table assortments of seasonal merchandise and sundries, and cut-carton H&BA, with specials highlighted by hand-drawn

See **Marc's,** *page 66*

Marc's in Middleburg, Ohio, opened an adjacent fast food restaurant as a traffic draw.

Tax bill's impact on industry still murky

News Analysis

By Ken Rankin

WASHINGTON — The nation's drug chains and independent pharmacies figure to begin reaping major bottom-line benefits from this year's tax "reform" legislation by early 1987.

But the full impact of the bill—which was headed for final approval by Congress at presstime—may not be clear for several years.

Although the measure drew broad support from the drug store industry and other retail segments, the Congressional conferees responsible for fashioning the final compromise version included a number of provisions certain to offset

See **Tax,** *page 66*

'On balance, the measure will be favorable to us, given time. I'm disappointed at the retroactive loss of investment tax credits, of course, but I do applaud the cut in the corporate tax rate.'

Henry Panasci Jr. *Chairman and ceo, Fay's Drug Co.*

'Certainly the long-term effect of the lower corporate tax rate is favorable to Walgreens. But in the short term, the loss of the investment tax credits is a negative.'

Tom Mammoser *Director of Corporate Communications Walgreen Co.*

'Our industry was at the top of the tax scale, so I don't see how tax reform could possibly hurt us. Experts say the net gain to retailers will be five or six points after the loss of investment tax credits. But we'll have to wait to see how the I.R.S. interprets the new law.'

Jim Harrison Jr. *President Harco Drug Stores*

Management Training: Honing human relations skills See page 63

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NEWS IN BRIEF

Bolger retirement plans changed

ALEXANDRIA, Va. — Bob Bolger, president of the National Association of Chain Drug Stores, said the NACDS executive committee had decided to accept his original plan to retire at the end of 1987 rather than in the spring of 1989.

Bolger had changed his original retirement date at the request of several board members who were concerned that the search for a replacement was dragging.

Bolger told *Drug Store News* that the executive committee in a meeting last month decided to accelerate the search and bring someone on board by next July. The association president will stay through a transitional period ending in December.

Bolger said the committee wants to attract a candidate with a heavy government affairs and pharmacy background. The committee will meet next week to choose an executive search firm.

Big B earnings jump 22.3%

BIRMINGHAM, Ala. — Big B Inc., which mounted an aggressive expansion program in the first half of its fiscal year, announced record sales and earnings for the second quarter and 26 weeks ended Aug. 2.

Earnings for the 12-week quarter rose 22.3% to $1.2 million or 17¢ a share, from $959,000, or 15¢ a share, in the same period last year. Sales were up 19.8% to $45.8 million.

During the 26 weeks, Big B opened 14 new drug stores.

Sentry gets Arbor name fast

TROY, Mich. — Less than a week after Arbor Drugs completed its purchase of Sentry Drug stores, the stores were already carrying the Arbor name above their front doors.

Arbor said it had completed that phase of a planned makeover of the 19-store southeastern Michigan chain shortly after closing the deal Aug. 20 for an undisclosed price, estimated at $14 million to $14.75 million.

Publicly owned after an initial stock offering in April, Arbor will integrate Sentry by renovating the stores to the Arbor format. Arbor boosted its stores total to 71 by entering the Carolinas for the first time with two recent store openings.

Fazio's to add footage

MESQUITE, Tex. — Fazio's, the country's largest deep discount drug store with 44,000 sq. ft. of selling space, will add 5,280 sq. ft. in October.

To get the additional space (24 ft. by 220 ft.), Fazio's will push back a side wall.

At the same time, Fazio's will build a 50,000-sq.-ft. warehouse facility adjacent to the store. This will replace three outside storage facilities (totaling 50,000 sq. ft.) that are now being leased in Dallas, 20 minutes from the store.

According to Chuck Fazio, store manager and vp of Jote's, the corporation that controls the store, the additional space will be used to expand seasonal promos such as picnic supplies and outdoor cooking in the summer, and giftwrap, ornaments and small gifts in the winter.

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Vol. 8, No. 20 September 15, 1986

Perry growth cuts earnings

PONTIAC, Mich. — Expenses stemming in part from Perry Drug's strong 1985 acquisition program took a heavy bite out of the chain's third-quarter earnings. The slump spurred projections of year-end earnings below those of 1985's 97¢ per share, which would be the chain's first year-end earnings slide.

Perry said increased costs from employee benefits and interest expenses relating to acquisitions were key factors in a 70% drop in earnings for the quarter ended July 31. Earnings hit $802,000, or 11¢ per share, compared with $2.7 million, or 27¢ a share, in the last year's comparable quarter.

Expenses from acquisition

A spokesman said the expenses arose from the 1985 acquisition program, when Perry boosted selling space by 63%, while buying up drug and auto parts stores.

"They're also carrying a little higher inventory than had been hoped because of somewhat disappointing volume in the auto parts stores," said Elliott Schlang, an analyst with Prescott, Ball and Turben.

Costs related to acquisitions this year, which include the June buy of the seven-store Warehouse Way deep discount chain, will have "little or no effect" on this year's earnings, a spokesman said.

Perry's interest expenses in the year ended Oct. 31, 1985 had jumped 200% to $6.2 million, contributing to a 41% increase in total costs and expenses, which were $507.6 million.

Year-end earnings forecast

But at the annual March meeting, Perry chairman Jack Robinson forecast year-end 1986 earnings per share of $1.10 to $1.20, in line with analysts' estimates. Second-quarter profits supported the forecast at $1.1 million, or 12¢ a share, up 20% from $1 million, or 10¢ a share, in the comparable quarter.

Perry offered a revised forecast on Aug 13, saying earnings would be depressed. On the heels of the announcement, its stock closed at $14.875, down $1.50. The stock (which traded at a $21-high this year) rebounded, to close at $15.125 up $1 on Aug. 28.

'We are confident that we will soon return to a much higher level of profitability, one which reflects a much better ratio between profits and sales growth.'

Jack A. Robinson
chairman and ceo

Insurance costs cited

The chain specifically cited high liability insurance costs, an industrywide burden, as a high expense area.

Officers noted that sales continued at a strong rate of growth, outstripping earlier projections. Third-quarter sales hit $165 million, 20% higher than last year's period. Year-end sales were predicted at $640 million, above a $615-million forecast that Perry made six months ago, and 23% above 1985.

Drug Barn launches 2nd store

Eyes N. Calif. expansion

SUNNYVALE, Calif. — Drug Barn will open its second deep discount drug store this month in Pleasant Hill, located in the East Bay area of northern California.

The 18,000-sq.-ft. store was occupied until January by Bill's Drug. Drug Barn bought out Bill's lease.

Lee Weinstein, store director and buyer for Drug Barn, said the company "will continue to expand in northern California. We are now considering several sites in the San Francisco Bay area."

Weinstein also said the first Drug Barn, an 18,000-sq.-ft. unit that opened almost three years ago in the Silicon Valley town of Sunnyvale, has met its projections, despite layoffs in the computer industry. "That puts us in the growth state," Weinstein said. He would not give specific plans.

Cosmetics relocated

In March 1986, Drug Barn remodeled Sunnyvale, and one of the major changes was to relocate the cosmetic department. "Formerly," said Weinstein, "cosmetics were on a side wall and were not getting the necessary exposure because they blended into the wall."

As a result, the manager's office adjoining pharmacy was moved into the store's backroom, and cosmetics changed location and configuration—from two sides of a 60-ft. gondola to four 16-ft. gondolas, plus wall space in the area vacated by the office. Increased visibility helped increase cosmetic sales 20%, according to Weinstein.

In another change, one gondola run was removed, and the aisles were widened from 6 ft. to 7 ft. "This enabled us to put case stacks in the aisle without impeding traffic," said Weinstein, "thereby giving the store a higher promotional profile."

Although most drug deep discounters buy 90% of their merchandise on deal, Drug Barn holds at 70%. "We don't always have the same sizes on a brand—and I'm talking about the top 100 brands—but we carry the brand at all times," said Weinstein. He added: "Price is not the only factor. Our customers are convenience-oriented and mobile. But the mobility cuts two ways. If we don't have what they want, they don't hesitate to go elsewhere. We can't afford to alienate customers, and that's why we buy from reps regularly."

Big Bear sets Sail for deep discount

SAN DIEGO — Can a conventional supermarket chain, in business for 50 years, strike it rich in the deep-discount drug field?

Larry Mabee, president of the 30-store Big Bear Supermarkets, will soon find out. Big Bear has bought the 14,600-sq.-ft. Sail Drug in Vista (30 miles north of San Diego) and is converting the store to deep discount. Big Bear will retain the name because it has been at that location for 16 years.

"The general approach of drug stores today is stagnant," Mabee told *Drug Store News*. "We are going to try different things to see if they work. Our approach is fluid."

Mabee would not elaborate on specific plans—or discuss the reset layout—except to say that the store will go deep into deal merchandise.

Opened first pharmacy

Big Bear opened its first pharmacy in its Escondido superstore late last year, and Mabee said it has been successful, thus whetting his appetite for a further incursion into drug.

Why drug? "Because we can do a little better, profitwise. The net profit of a supermarket is 1% or less," said Mabee. "In addition, we have a couple of hundred thousand square feet of warehouse space which is now distributing 60%-70% of drug store merchandise, and that lends itself to crossover."

As for competition, Sail will face off with Thrifty, Sav-On, Longs and Med-Rx. Said Jerry Volante, executive vp and general manager for Big Bear: "Competition in drug stores in this area is nowhere close to what it is in supermarkets."

Sees 2 growth areas

Mabee believes the grocery industry will grow in two areas—both of which will impact on drug stores. One is the superstore (50,000 sq. ft. and larger, such as Vons Pavilions and Ralphs Giant), and the other is 20,000-sq.-ft. food/drug combos.'

FINANCIAL

Food/drug operators report mixed results

American Stores

SALT LAKE CITY — American Stores, one of the country's leading operators of food and drug stores, reported flat sales and a decline in net earnings for the second quarter ended Aug. 2.

Earnings for the quarter decreased 21% to $33 million, or 85¢ a share, from $41.5 million, or $1.12 a share, in the corresponding period last year, while sales increased only 1.3% to $3.50 billion from $3.46 billion.

In predicting the earnings decline a week earlier, American said that the continuing weak economic conditions in the Midwest, Southwest and Rocky Mountain region, coupled with the highly competitive atmosphere in southern California, food price deflation and a high effective tax rate all contributed to the downturn.

More financial coverage, p. 8

For the 26 weeks, earnings declined to $65.3 million, or $1.68 a share, from $68.9 million, or $1.79 a share, in the year-earlier period. The earlier results included a nonrecurring charge of $3.5 million.

Kroger Co.

CINCINNATI — Kroger Co., which announced recently it will either sell or partly divest its drug store division, reported higher sales and net earnings for the 12-week and 24-week periods ended June 14.

Sales in the quarter rose to $4.3 billion, up from $4.0 billion a year ago. Net earnings in the period rose to $51.5 million, up from $46.7 million in the year-earlier quarter.

For the six months, sales climbed to $8.5 billion from $7.8 billion a year earlier. Net also climbed, to $83.8 million, up from $78.1 million a year ago.

Supermarkets General

WOODBRIDGE, N.J. — Supermarkets General Corp., which operates Pathmark and Purity Supreme food and drug stores, reported that second-quarter net income from continuing operations increased 16% to $21.1 million, or 55¢ a share, from $18.3 million, or 51¢ a share, in the prior-year period.

The company had a net writedown of $1.2 million, or 4¢ a share, from discontinued operations in the most recent quarter, ended Aug. 2, compared with a writedown of $245,000 in the year-earlier period.

Second-quarter sales increased 11% to $1.39 billion from $1.25 billion.

For the six months, net earnings from continuing operations were $34 million, or 91¢ a share, vs. $31 million, or 87¢ a share, in the same period last year.

First-half results were impacted by a $1.8 million, or 5¢ a share, writedown.

Giant Food

LANDOVER, Md. — Giant Food Inc., the Washington-area combo operator, said that net earnings for the 12 weeks ended Aug. 9 increased 11% to $13.5 million, or 45¢ a share, from $12.2 million, or 41¢ a share, in the same period last year. Sales advanced to $554.9 million from $506.4 million.

For the 24 weeks, net income was up 8.5% to $26.9 million, or 90¢ a share, from $24.8 million, or 83¢ a share, last year.

		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 08/15/86 - 08/27/86								Latest 12 Months vs Preceding 12 Months Change				
					Change		52-Week		Last Fiscal Year			Latest P/E Ratio	Indicated Dvd. Rate	
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low		Amt.	Pct.		Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	67.25	60.00	62.13	-3.50	-5.33	71.25	53.13	4.11	-1.33 q	-23.8	14.5	.84	1.4
Begley Co	BGLY	21.00	21.00	21.00	1.00	5.00	23.50	15.50	1.27	-.27 q	-20.5	20.0	.72	3.4
Big B	BIGB	17.88	17.50	17.50	.00	.00	18.75	12.63	.61	-.04 q	-5.7	26.5	.00	.0
Drug Sys	DRGS	7.00	6.88	6.88	.00	.00	8.25	3.75	-.43	-.85 q	-100.0	NE	.45	6.5
Fay's Drug	FAY	10.75	10.00	10.38	.25	2.47	11.75	8.00	.20	-.50 q	-87.7	NM	.20	1.9
Genovese Drug	GDX	15.38	14.75	14.75	-.50	-3.28	16.63	9.63	.73	-.17 q	-19.1	20.5	.20	1.4
Longs Drg Strs	LDG	35.13	32.63	34.75	.88	2.58	38.75	24.75	1.74	-.20 s	-10.4	20.1	.76	2.2
Medicare Glaser	MGCO	4.75	4.25	4.75	.25	5.56	5.00	3.50	-.20	-.11 q	NE	NE	.00	.0
Medicine Shoppe	MSII	30.50	28.75	30.50	1.25	4.27	32.00	21.00	.84	.15 n	18.8	32.1	.00	.0
Perry Drug	PDS	14.50	13.75	14.13	.00	.00	20.88	12.75	.98	.14 *	16.7	14.4	.22	1.6
Revco Drug	RDS	36.63	36.00	36.25	-.50	-1.36	39.88	24.25	1.72	.66 f	62.3	21.1	.80	2.2
Rite Aid Corp	RAD	34.88	32.50	33.63	-.50	-1.47	35.50	21.50	1.52	.09 q	5.6	19.9	.58	1.7
Walgreen Co	WAG	37.75	35.38	35.50	-1.63	-4.38	39.50	22.50	1.53	.14 n	9.2	21.3	.50	1.4
Wholesaler's transactions														
Alco Hlth	AAHS	21.38	20.50	21.38	.50	2.40	25.38	12.75	1.10	.19 n	18.3	17.4	.00	.0
Bergen Bruns	BBCA	23.00	21.88	22.25	-.63	-2.73	37.25	21.50	1.82	-.26 n	-14.4	14.4	.32	1.4
Bindley Wstn	BIND	12.25	11.63	11.75	-.13	-1.05	12.50	7.75	.79	.09 s	11.5	13.5	.00	.0
Cardinal Distrb	CDIC	20.50	19.25	19.25	-.75	-3.75	25.25	14.22	1.36	.40 q	40.8	13.9	.08	.4
Durr Fillauer	DUFM	13.63	13.00	13.00	-.75	-5.45	16.75	9.25	.78	-.02 s	-2.5	16.5	.16	1.2
Ketchum	KCH	23.25	21.50	22.00	-.50	-2.22	23.63	14.75	.17	-.39 f	-69.6	NM	.00	.0
McKesson Cp	MCK	67.00	62.38	66.00	3.50	5.60	67.00	44.88	3.96	.37 q	10.1	16.3	2.56	3.9
Moore Med	MMD	27.25	24.75	26.75	2.00	8.08	27.25	16.00	1.45	.23 s	18.3	18.0	.00	.0
Owens & Minor	OBOD	15.13	14.75	15.13	.13	.83	20.25	13.38	1.14	-.03 s	-2.8	14.4	.30	2.0
Manufacturer's transactions														
Abbott Labs	ABT	51.38	48.75	49.00	-2.38	-4.62	55.00	26.44	1.94	.32 s	17.8	23.1	.84	1.7
Am Home Prod	AHP	93.63	90.63	91.13	-1.63	-1.75	94.88	54.75	4.70	.40 s	8.8	18.5	3.10	3.4
Baxter Travenol	BAX	18.75	17.75	18.00	-.63	-3.36	21.25	12.38	.85	.43 s	238.9	29.5	.40	2.2
Block Drugs Co	BLOCA	27.25	26.50	26.75	-.50	-1.83	27.25	18.69	1.84	.15 q	8.6	14.2	.50	1.9
Bolar Pharm	BLR	28.00	23.75	26.25	1.63	6.60	32.88	12.00	.71	.13 s	18.6	31.6	.05	.2
Bristol-Myers	BMY	81.25	79.00	79.50	-1.63	-2.00	88.50	53.63	3.86	.24 s	6.6	20.4	2.20	2.8
Carter-Wallace	CAR	86.13	79.00	80.38	.38	.47	86.13	32.38	3.63	1.03 q	35.9	20.6	.80	1.0
Forest Labs	FRX	22.00	19.63	20.88	.75	3.73	22.00	10.56	.49	.15 q	37.5	38.0	.00	.0
ICN Pharm	ICN	34.00	20.00	22.50	-8.25	-26.83	34.00	8.63	-2.10	-2.20 s	-100.0	NE	.00	.0
Lilly Eli Co	LLY	82.38	77.25	79.13	-1.00	-1.25	83.50	41.50	3.69	.39 s	11.1	20.2	1.80	2.3
Lee Pharm	LPH	33.63	30.50	31.25	.13	.40	38.63	5.63	.40	1.62 n	450.0	15.8	.00	.0
Leiner P Nutri	PLIN	17.75	16.75	17.75	.50	2.90	21.00	8.50	.81	.26 q	40.6	19.7	.00	.0
Marion Labs	MKC	47.38	44.13	45.00	-1.88	-4.00	50.00	15.63	.70	.23 f	48.9	64.3	.20	.4
Merck & Co	MRK	116.75	110.75	111.75	-3.50	-3.04	116.75	51.75	3.79	.76 s	21.7	26.2	2.20	2.0
Morton Thiokol	MTI	38.25	35.25	37.38	1.00	2.75	40.50	30.00	2.80	.30 f	12.0	13.3	.70	1.9
Mylan Labs	MYL	15.13	13.13	14.00	.00	.00	18.09	9.00	.57	.24 q	63.2	22.6	.07	.5
Newport Pharm	NWPH	7.88	6.88	6.88	-.13	-1.79	14.50	4.88	-.08	-.13 f	-100.0	NE	.80	11.6
Par Pharm	PARP	17.75	16.75	17.75	-.50	-2.74	20.75	14.25	.47	.13 n	27.7	29.6	.00	.0
Pfizer Inc	PFE	70.25	66.50	68.25	-1.88	-2.67	72.88	43.75	3.44	.39 s	11.9	18.6	1.64	2.4
Robins, AH	QRAH	11.88	9.50	11.25	1.38	13.92	15.63	6.63	2.53	20.85 s	NE	4.2	.00	.0
Rorer Group	ROR	39.25	36.38	39.00	1.50	4.00	47.00	32.50	1.72	5.00 s	240.4	5.5	1.12	2.9
Scherer RP Co	SCHC	20.25	18.88	20.00	.75	3.90	20.25	11.50	-1.23	-.66 q	NE	NE	.32	1.6
Scher Plough	SGP	85.25	81.75	83.63	-.13	-.15	88.00	45.00	3.77	.44 s	12.3	20.8	1.80	2.2
Squibb Corp	SQB	122.75	115.75	115.75	-5.38	-4.44	124.13	65.13	4.20	.86 s	22.3	24.5	2.00	1.7
Sterling Drug	STY	52.00	49.63	51.38	1.13	2.24	52.00	30.50	1.83	-.48 s	-19.6	26.1	1.32	2.6
Syntex Corp	SYN	74.75	71.00	73.13	1.88	2.63	74.75	30.06	4.65	3.31 n	160.7	13.6	1.60	2.2
Thompson Med	TM	14.88	13.63	13.75	-.63	-4.35	21.00	11.75	1.18	-.44 s	-29.1	12.9	.40	2.9
Upjohn Co	UPJ	91.25	82.25	84.75	-5.63	-6.22	103.75	50.38	3.29	.93 s	34.4	23.3	1.52	1.8
Warner-Lambrt	WLA	62.75	60.63	61.13	-.25	-.41	63.13	33.75	-4.05	-6.15 s	-100.0	NE	1.56	2.6
Zenith Labs	ZEN	11.88	9.25	9.50	-1.50	-13.64	18.31	8.69	.73	.42 s	135.5	13.0	.05	.5

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

Deep discounter parent firms show strong results

NEW YORK — The parents of two deep discounters each reported strong results in their second quarters and six months ended July 31.

F. W. Woolworth, which operates Rx Place deep discount drug stores, had sales and net income gains in both periods.

Second quarter sales rose to $1.5 billion, up from $1.4 billion, as net income in the period rose to $35 million, up from $27 million.

For the six months, Woolworth sales climbed to $2.9 billion, up from $2.6 billion, as net income rose to $48 million, up from $33 million.

More dramatically, Wal-Mart, which owns Dot deep discount drug stores, experienced a second-quarter sales climb to $2.8 billion, up from $1.9 billion a year ago. Net income rose to $96 million, up from $72 million in the comparable quarter a year earlier.

Its six month figures showed a sales gain to $5.1 billion, up from $3.6 billion in the same 1985 half. Net income rose to $169 million.

Sales gain at Longs in 2nd qtr.

WALNUT CREEK, Calif. — Longs Drug Stores reported a 9% sales gain but lower net earnings in the second quarter ended July 31. Its board also became the latest to adopt a shareholder rights plan to help fend off any hostile takeover attempts.

Sales rose to $389 million, up from $356 million in the comparable quarter a year ago at the 212-store chain.

However, a rise in expenses and the cost of goods sold contributed to a marginal slide in net earnings during the second quarter. Net slipped to $10.88 million, down from $10.89 million a year earlier.

Performance was similar in the six months. Sales rose to $773 million, up from $704 million a year earlier. Net income skidded to $20.2 million.

Drug Systems revenues down

MILWAUKEE — Drug Systems, the operators of the Pill & Puff chain, reported falls in revenues and net earnings during the quarter ended June 30.

Revenues dropped 47% to $14.4 million, down from $27.3 million in the comparable period a year ago.

Net earnings fell similarly to $206,000, down from $340,000 a year earlier.

Much of the decrease can be accounted for by the 1985 sale of White Drug Enterprises, the company said.

Profits jump at J. C. Penney

NEW YORK — J. C. Penney, parent of Thrift Drugs, reported a near doubling of operating profit in its second quarter ended July 26, to $57 million, up from $30 million a year ago.

Net income also climbed dramatically to $46 million, up from $30 million a year earlier.

Sales were also up to $3.2 billion, compared with $3.0 billion in the same period a year ago.

MERCHANDISING TRENDS

Combo evolution spawns specialized stores

The pace of the food/drug marketing evolution is quickening.

It started with the corner grocery store and the corner drug store.

Self-service sired the supermarket and the super drug store.

The supermarket then beefed up its mix of drug store-type merchandise to gain relief from low-profit food; the super drug store countered with low-priced food items to build traffic.

Then came the combination store: a food store and a drug store under one roof and using a central checkout.

Enter 'superstores'

But the combo refused to be harnessed to a single chariot, so large supermarkets—35,000 to 45,000 sq. ft.—called themselves "superstores." Instead of the 50/50 food/drug split, these stores varied the ratio, with nonfoods accounting for 20% to 40% of total space.

But the direction of the retailing evolution keeps changing—and competition is the determinant. That's how the gourmet combo came into being. In high income areas, it provided an opportunity to outflank conventional-store competitors and at the same time raise profit margins.

The gourmet combo book was written by Simon David, operated by Tom Thumb/Page. The original Simon David was a 14,000-sq.-ft. store in Dallas. By using vacant land behind the store, the square footage was upped to 33,000 on two levels. The store is heavily laced with service departments, including candy and RTD florist.

Encouraged by its success, Tom Thumb/Page has formed the Simon David division and will open a 75,000-sq.-ft. store in North Dallas and a 50,000-sq.-ft. unit in Austin late next summer.

Now the superwarehouse

Now comes the superwarehouse store (up to 110,000 sq. ft.), hailed as "the next generation of retailing."

While the gourmet combo affects only a specialized segment of consumers, the superwarehouse store is a megaton retail bomb with 20-mile fallout.

The giant-sized store carries a full line of H&BA, along with uptraded perishables. Some also have pharmacies.

What are combo operators doing to keep this voracious intruder (close to $1 million a week in volume) from devouring market share?

First, combo operators are increasing store size for wider selection. Smith's Food & Drug is making the swiftest leap—from 44,000 sq. ft. to 61,000 sq. ft. in one year.

Skaggs Alpha Beta stores started at 35,000 sq. ft. and are now up to 75,000 sq. ft. in some areas.

Albertson's has gone from 50,000 to 59,000 in two years, while King Soopers are at 61,000, up from 30,000 a decade ago.

Broader selection

A Dillon exec noted that combos are one-upping the warehouse store with a broader selection of perishables—"fresh fish, floral departments, service deli."

Albertson's also subscribes to this philosophy: "We increase the space for perishables when we remodel," said Gary Michael, vice chairman. "Remember, Super Valu [Cub's franchisor] sells groceries."

Other combos are making a frontal attack on the superwarehouse store by confronting its strength—price.

Said Al Martindale, chairman of Smith's Management Corp., which operates Smith's Food & Drug: "We work on low margins—grocery, 9%; H&BA, 13%; general merchandise, 20%; meat, 16%; and produce, 18%. And we plan to go even lower next year."

Maintaining profit structure

How then does Smith's maintain its profit structure? "One way," said Martindale, "is through increased sales due to lower prices—we're up 11% over last year. We have also been able to add almost

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Leading combo operators

Company	# stores 1986 (year end)
The Kroger Co.	
Kroger	390
Dillon	150
American Stores	
Jewel/Osco	123
Skaggs-Apha Beta	111
Buttrey	38
Supermarkets General	126
Albertson's	102
Smitty's Super Valu	22
Raley's	48
Wegman's	30
Smith's Management	72
H. E. Butt	60
Giant Foods Inc.	83

Source: Drug Store News

The new look of Sue Bee Honey deserves a new look.

Sue Bee is the leading selling honey and the biggest profit-maker – by far. Now our full line – including the value-added table server and spun honey spread – has a "shopper preferred" new label to encourage new users and speed shelf movement.

Are you displaying enough of the only nationally advertised – locally promoted brand of honey?

Sue Bee Honey

Have a look when your Sue Bee Rep calls.
Sue Bee Honey, Sioux City, IA 51102

INSIDE PHARMACY

Brand name/generic 'marriage' still shaky

By Marjorie Shaffer

Two years after Congress streamlined the procedure the F.D.A. uses to approve low-cost generic copies of brand name drugs coming off patent, the industry is still going through a period of readjustment.

The 1984 piece of legislation was supposed to create a compromise, a marriage of sorts, that was intended to help the brand name companies and the generic drug makers live peacefully in the marketplace.

The legislation, the Drug Price Competition and Patent Term Restoration Act, eliminated much of the lengthy testing requirements for generic drugs, facilitating speedier approval of the low-cost generic copies.

'Exclusivity' clause

In return, brand name companies received extended patent protection for drugs going off patent. One of the compromises was an "exclusivity" clause that allowed brand name drugs exclusive indications. In other words, for a certain period, the generic version of the drug could not be advertised as effective for some of the same indications as the brand name drug.

'It's a common American business practice for a brand name company to st i ck on its own label for a product produced cheaper by another manufacturer.'

David Saks
drug analyst
Morgan, Olmstead, Kennedy & Gardner, N.Y.

But instead of a truce, all hell broke loose.

Drug companies previously enjoying big profits from brand name drugs years after their patents ran out were suddenly faced with competition from low-cost generic copies and, more important, the loss of millions of dollars in sales. Advertisements began appearing in major medical journals urging physicians to prescribe the brand name drug. "Dear Pharmacist" letters were sent warning of the liability risks if they prescribed the generic instead of the brand name drug. Medical groups sponsored by brand name drug companies began warning of the ineffectiveness of generic drugs.

Filed suit

In the latest bout, The National Association of Pharmaceutical Manufacturers, a trade association of generic drug makers, and Zenith Labs, a generic drug company, recently filed suit against Ayerst Labs, a division of American Home Products, and Pharmacists Planning Service, a Sausalito, Calif., company that publishes a newsletter, for trying to scare pharmacists out of prescribing the generic version of Inderal. The suit charges Ayerst and the newsletter with falsely warning pharmacists that they might be liable for damages if they dispensed the generic version of Ayerst's brand name drug Inderal to certain patients. It revolves around the exclusive indication Inderal has for post-myocardial infarction, a second heart attack. The claim expires at the end of this month.

Already, nine of the top 10 selling brand name drugs in 1984 are off patent, including Valium, Tylenol with codeine, Motrin and Diazide.

The suit seeks an injunction against Ayerst and the newsletter, plus damages and costs totaling more than $45 million.

Previously, generic manufacturer Mylan Lab, based in Pittsburgh, won an out-of-court settlement from Sandoz for almost $1 million for an antigeneric campaign against Mylan's generic copy of Mellaril, Sandoz' brand name for thioridazine.

Truce in the making

But behind all the unrest and price increases on brand name drugs that have not yet lost their patent, an uneasy truce is beginning to be reached.

Indeed, generic drugs have long provided a predictable income for the brand name pharmaceutical makers. The biggest companies in the business, Eli Lilly, American Cyanamid and Lederle, to name a few, were also, and in some cases still are, the biggest producers of generic drugs.

"It's a common American business practice for a brand name company to stick on its own label for a product produced cheaper by another manufacturer," said David Saks, drug analyst with Morgan, Olmstead, Kennedy & Gardner in New York. "Sears contracts with a whole host of vendors to produce its products, and the average American thinks everything is made

Continued on page 39

Some drugs going off patent: Generic competition intensifies

Product	Patent expiration	Estimated 1984 sales (millions)
Keflex (cephalexin)	1987	$240
Nebcin (tobramycin)	1989	88
Mandol (cefamandole)	1989	130
Haldol (haloperidol)	4/15/86	85
Dolobid (diflunisal)	1989	43
Elavil (amitriptyline)	2/18/86	29
IndocinSR (indomethacin)	9/24/86	40
Timoptic (timolol)	1989	115
Minipress (prazosin)	1989	105
Procardia (nifedipine)	2/22/89	154
Bactrim	6/2/87	31
Geocillin (carbenicillin)	1989	121
Lotrimin (clotrimazole)	1989	20
Chymodiactin (chymopapain)	1988	20
Ancef (cefazolin)	1987	88
Velosef (cephradine)	1986	34

Source: Morgan, Olmstead, Kennedy & Gardner

Evidence doesn't back generic inferiority claims

Despite claims that generics are somehow inferior to their brand name drug counterparts, the evidence does not substantiate such claims. "We certainly know of no documented evidence of therapeutic failure with an F.D.A.-approved generic drug," said Dr. Peter Rheinstein, director of the F.D.A.'s office of drug standards. "There have been more than 8,000 different generics approved and billions of dosages sold," he points out.

10 myths

Faced with increasing questions about generic drug quality, the F.D.A. issued a paper that identified 10 myths about generic drugs, including the idea that patients using generic products are more likely to suffer adverse reactions.

One of the most frequently used tactics against generics is the allegation that drug testing for generics takes place in only a small number of healthy volunteers, whereas brand name drugs are tested on thousands of patients. The F.D.A. debunks this "myth" by saying the statement is "misleading."

The F.D.A. points out that once the innovator drug is approved, establishing the efficacy of a generic only requires that the same active ingredient be produced correctly. Healthy individuals are used for testing, for ethical reasons, to show that the generic's ingredient reaches the blood stream in virtually the same amounts as the brand name drugs.

This bioequivalency testing, the F.D.A. paper notes, is also used for many brand name drugs because "in F.D.A.'s experience, the formulation the innovator uses to test its active ingredient clinically is not the same one that is eventually marketed. In order for the innovator to gain approval for the reformulated dosage form, it is required only to perform the same kind of bioequivalence test for approval of its new formulation that a generic manufacturer would do to show equivalence to the brand name drugs. Thus, for most drugs, the generic product and the marketed brand name product stand in the same relationship to the formulation that was originally tested for safety and effectiveness."

Uneasy truce

While this kind of publicity gets more widely disseminated, it is likely that an uneasy truce will be reached among brand name drug companies

Continued on page 42

Generics making large impact on market

In an era of spiraling health care costs and broad tax cuts, reality cannot be ignored. Generics are beginning to have a big impact on the market.

Earlier this year, a study by the Federal Trade Commission's Bureau of Economics concluded that substitution of generic drugs for the more expensive brand name product had *doubled* between 1980 and 1984. The authors of the study, Alison Masson and Robert L. Steiner, used 1980 data to estimate that consumer savings in 1984 from generic drug laws ranged between $130 million and $236 million.

Nevertheless, the F.T.C. study concluded that while generic drug laws have reduced retail prescription prices, substitution is still not taking place on a widespread basis. For example, in 1980 the study said substitution occurred on about 5.5% of available drugs for which substitution was allowed. In 1984, the rate doubled, but still occurred on less than one-fifth of all eligible prescriptions.

But overall, the study concludes that the generics will become more frequently dispensed because both consumers and pharmacists have economic incentives that favor substitution. "The most likely explanations for the low substitution rate are the newness of the laws and lack of clear and accurate information that consumers and pharmacists have about whether the prescriber would find a substitute acceptable."

Drug Store News' 1985 nationwide pharmacy survey on substitution practices showed that there was more than a 20% increase in the number of pharmacists substituting generics for branded drugs. Nearly two-thirds of the pharmacists polled said they substituted a generic drug for a brand, compared with 51.5% in 1984.

'Marriage' still shaky

(Continued from page 36)

by Sears. The same goes for many drug firms," said Saks.

Branded generics

Even the Pharmaceutical Manufacturers Association, a trade group of brand name drug companies, acknowledges that at least 72% of all generic products are sold by brand name drug makers. Some observers place the percentage even higher.

"In 1982, 80% of the generic market was branded generics like Pfizer's tetracycline," said William Haddad, chairman of the Generic Pharmaceutical Industry Association. "However, a substantial portion of those products sold as branded generics were actually manufactured by a generic company for a brand name company," he said, adding that the 1982 statistic "has changed radically in the last year as the size of the true generic market has changed." Haddad estimated that the market for generics will quintuple by 1990 to $5 billion.

Competitive strategies

Faced with a loss of revenue from brand name products going off patent, the brand name, research-intensive pharmaceutical companies are beginning to respond to the challenge by various strategies.

"We've been thinking about how we can interface with generic drugs—a way to chart a

Continued on page 46

Dollar sales exposed to generic competition
(Patents expiring 1981-1991)

Year	$ Sales (millions)
1991	$ 76
1990	200
1989	1,094
1988	285
1987	834
1986	778
1985	784
1984	1,077
1983	199
1982	675
1981	380

Source: Morgan, Olmstead, Kennedy & Gardner

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Spring Valley, NY 10977 D

Firms react to challenge

Continued from page 39

future course to market generic products more creatively," said a Squibb spokesman. The answer: Squibb-Marsam Inc., a joint venture between Squibb and Marsam, a Cherry Hill, N.J.-based generic manufacturer specializing in injectibles for the hospital market. Last spring, the two companies entered into an agreement in which Squibb will market generic products developed by Marsam.

Said a Squibb spokesman: "Marsam enriches our overall effort in generics. This is our positive response to the 1984 patent legislation."

Quantum acquired

And American Home Products, one of the most vocal critics of generic drugs, earlier this year acquired controlling interest in a privately held generic drug manufacturer called Quantum Pharmics, based in Amityville, N.Y. It is interesting that Quantum has in its pocket a number of approvals for generic drugs, some of which are for American Home Products' biggest brand name sellers. Quantum, for example, got approval for lorazepam, the generic version of AHP's Ativan, made by its Wyeth subsidiary, and temazepam, a generic copy of Sandoz' Restoril. Ativan, in particular, is a big seller, accounting for about $200 million in 1984 sales. It went off patent in 1984.

An official with American Home Products said that the company did not buy Quantum specifically for its generic Ativan approval. "The generic drug business is a growing part of the pharmaceutical industry, and it's a sector of the business we would like to participate in," said Bill Emswiler, vp and treasurer of American Home Products. "I expect more of the larger pharmaceutical companies will be getting into the generic business," he observed.

American Home Products, however, is not the first big brand name company to buy a generic house. Ciba-Geigy owns Cord and Geneva Generics, both generic drug makers.

Another way brand name manufacturers rely on generic drug makers is to buy their products and then stick on their brand name. The best and the most successful example of such a "marriage" is Lederle's Maxide, a competitor of SmithKline Beckman's Diazide.

It may not be well known, but Lederle does not manufacture Maxide, Mylan does. And it's been a big success story. The potassium-sparing diuretic Maxide is now topping the $5 million per month sales mark. Lederle in fiscal 1986 did about $14.5 million worth of business with Mylan, accounting for about 18% of Mylan's $80.8 million last-year sales.

Other brand name drug companies have specific generic lines that carry the parent company's name. Both SmithKline and Lederle Standard Products are two examples of this kind of "marriage."

And finally, there are the ever-abundant examples of brand name companies jumping directly into the generic business with their own "brand" names for what is essentially a generic. Searle, for example, will soon bring out Haloperidol, its generic version of McNeil's well-known tranquilizer Haldol. And for years Burroughs-Wellcome has had a huge success with Lanoxin, generic of Digoxin.

So why are brand name drug companies uneasy?

Money. Big Money.

Today, nearly $4 billion in pharmaceutical sales is open to generic competition. That number is expected to rise to $6 billion by 1991. In other words, nearly one-third of the current $21 billion pharmaceutical business will be vulnerable to generic competition in five years.

Already, nine of the top 10 selling brand name drugs in 1984 are off patent, including Valium, Tylenol with codeine, Motrin and Diazide. By 1990, almost all of the 50 most frequently prescribed drugs will have lost their patents.

Products losing patents 1981-1991
(Selected drug companies)

Company	Products losing patent 1981-1991	Estimated '85 sales (millions)	% total sales
Merck	13	868	66%
Eli Lilly	10	837	64
American Home Products	7	659	55
Pfizer	8	568	62
Johnson & Johnson	4	366	41
Bristol Myers	10	327	51

Source: David Saks and Natalie Nekrutman, Morgan, Olmstead, Kennedy & Gardner, New York.

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INSIDE PHARMACY

F.D.A. market approvals stir orphan launches

More orphan drugs are finding a home in today's marketplace, thanks to several innovative pharmaceutical companies and a legislative boost from the Federal government.

While several large pharmaceutical companies such as Schering, Roche and Merck have long marketed orphans (the term generally given to drugs of low profitability that treat rare diseases), few have been seriously promoted.

But orphan drugs may finally be finding a place they can call home, in part due to some smaller, innovative pharmaceutical companies that are actively seeking to market them.

Good business sense

One such company is Medical Market Specialties, Cedar Grove, N.J. Because MMS has no research facility and therefore little overhead, president Joseph Ingolia believes that specializing in orphans that are already developed by the larger companies makes good business sense.

According to Ingolia, the company is constantly on the lookout for abandoned orphans whose rights can be purchased.

MMS staked its first claim in the not-too-crowded orphan drug market with the purchase of Proglycen, a drug originally developed by Schering several years ago to treat certain types of hypoglycemia.

But the market for orphans may not be a wide-open territory for companies like MMS for long.

Several drugs that received orphan status (during clinical trials) under the Orphan Drug Act of 1983 are beginning to receive F.D.A. approval for marketing.

Law encourages development

The law, designed to stimulate research and development of orphan drugs, offers pharmaceutical companies a 50% tax credit for clinical studies. This is in addition to a standard tax deduction normally allowed for clinical trials. In total, companies that initiate research in orphan drugs are able to take a 73% tax credit.

As an extra incentive, the law provided seven years of exclusive marketing to the prospective orphan drug manufacturers.

Definition strict

Definition of an orphan drug under the 1983 law is strict. An orphan is defined as a drug "intended to fight a disease or condition so rare that there is no reasonable expectation that the costs of development and marketing such a drug can be recovered from sales in the U.S."

The law is not limited to drugs alone. Also under its umbrella are medical devices and diagnostic tests.

The effects of the law were felt almost immediately. Companies anxious to climb on the orphan bandwagon tested the new law by petitioning the F.D.A. for orphan drug status to be attached to many drugs that were currently under development.

Between November 1983 and March 1985, the F.D.A. granted 53 orphan drug designations and turned down only six.

The first company to receive F.D.A. approval and market exclusivity for an orphan drug was Lymphomed Inc., Melrose Park, Ill. Its orphan, pentamidine isethionate, is indicated in the treatment of pneumonia caused by *Pneumocystis carinii*, a rare parasitical disease that is a common cause of death in AIDS patients.

12 orphans approved

In all, the F.D.A. has given its stamp of approval to 12 orphan drugs since the 1983 law went into effect. So far in 1986, two drugs have received F.D.A. approval: VitaCarn (L-Carnitine), marketed by Kendall-McGraw for the treatment of primary systemic carnitene deficiency, and Digibind, launched by Burroughs Wellcome for the treatment of life-threatening digitalis intoxication.

In addition to the new law, the F.D.A. Office of Orphan Product Developent actively seeks drug company sponsors of orphan drugs by advertising in the Federal Register. But that kind of cooperation from the feds wasn't always the case.

Approval process improved

Following the thalidomide tragedies of the early 1960's, Congress passed an amendment to the Food, Drug and Cosmetics Act in 1962 that called for better controls in the approval of new drug applications.

The new law resulted in longer approval times for new drugs at the pharmaceutical manufacturers' expense.

In many instances, a new drug would take from eight years upward to be approved, at a cost of more than $70 million dollars. For drugs that had a favorable return on investment, the wait wasn't intolerable, but unfortunately for most orphan drugs with a small return on investment, the wait resulted in their death sentence.

Victims of such rare diseases as myoclonus (approximately 3,000 victims in the United States), neuropathic cystinosis (approximately 100 victims), Tourette's syndrome and the now infamous "Lou Gehrig's Disease" (amyotrophic lateral sclerosis) had to go untreated, often resulting in their death.

Roche marketed six in 70's

But despite the barriers, some manufacturers still turned out a fair number of orphans. During the 1970's, Hoffmann-La Roche marketed six: Solatene (for erythropoietic protporphyria), Ancoban (an antifungal), Clonopin (for convulsive disorders), FUDR (for inoperable liver cancer), Nipride (for hypertensive crisis) and Rocaltrol (used in dialysis patients who cannot metabolize Vitamin D).

Merck also developed several during the same period. These included the anticancer agent Elspar (for lymphocytic leukemia), Cosmegen (for Wilms' Tumor) and Cuprid, currently one of the drugs of choice for the treatment of the often fatal Wilson's disease, a rare inherited disorder that interferes with copper metabolism, allowing poisonous levels to accumulate in the kidneys, liver, eyes and brain.

But market remains flat

Although the Orphan Act of 1983 was intended to make it easier for drug companies to get their orphans to market, the number of new orphan drugs reaching the market has not increased.

During the 1970's, approximately 40 orphan drugs were marketed, at an average rate of four a year. Under the new law, 10 orphans have been granted orphan status and are being marketed at the same rate, four a year (between the period of 1984 and mid-1986).

Advocates of the new law say, however, that it's not fair to judge the mer-

(Continued on page 52)

Drugs approved as orphans since Orphan Drug Act, Jan. 1983

Name	Disease/Condition	Estimated population needing drug	Sponsor
Panhematin	Hepatic porphyria (acute nervous system attacks)	100	Abbott Laboratories
Chenodiol	Cholesterol gallstones	150,000	Reid-Rowell Laboratories
Cromolyn Sodium 4% Ophthalmic Solution	Seasonal conjunctivitis	16,000	Fissons
Pentamidine isethionate	Pneumocystis carinii pneumonia	2,000-3,000	LyphoMed
Naltrexone	Certain drug addictions	40,000	Dupont Pharmaceuticals
Potassium Citrate	Kidney stones from citrate deficiency	184,000	University of Texas Health Science Center
Somatrem	Dwarfism	15,000	Genentech
Monooctanoin	Billary tract cholesterol gallstones	4,500	Ascot Pharmaceuticals
Trientine HCl	Wilson's disease (congenital copper poisoning)	700	Merck Sharp and Dohme Research Laboratories
L-Carnitine tablets	Primary carnitine deficiency	100	Sigma Tau
L-Carnitine enteral liquid	(lack of an amino acid complex)	100	Kendall-McGraw Laboratories
Digibind	Life-threatening digitalis poisoning	4,000	Burroughs-Wellcome

Source: Food and Drug Administration

Groups cultivate research inducements

Tax incentives are not the only reason pharmaceutical companies invest in orphan drug research, according to some observers.

In some cases, the companies have turned an apparently dead-end research effort into a philanthropic or public relations cause.

In the early stages of drug development, a scientist often doesn't know what he has. While much of the research done by pharmaceutical companies is for the development of a particular product indicated for a specific disease, once in clinical trials, its usefulness in treating other diseases is sometimes uncovered.

If that disease is rare, rather than scratch off years of research and development, a pharmaceutical company will seek orphan status for the drug, knowing full well that the drug will never recapture its investment.

But according to Edward Remers, a spokesman for the American Council on Science and Health, drug companies in this position feel it is better to market the drug for a number of other reasons besides financial rewards.

"Many of the drug companies feel they have a moral obligation to make these products available," said Remers.

Sponsors sought

Echoing Remers' thoughts is Tom Althius of Pfizer, who points out that "American corporations spend billions on philanthropic enterprises in the arts and education. Why not spend some money in their own field?"

But despite all the incentives, orphan drugs still do not always get top priority in research and development. To help stimulate companies to take on new orphan drug endeavors, the Pharmaceutical Manufacturers Association, representing 141 branded manufacturers, formed its Commission on Drugs for Rare Diseases in 1981.

PMA's hot list

Currently on the PMA's hot list are four substances for which the association is seeking sponsors: phenylbutyric acid (for congenital errors of urea synthesis in children), lecithin (for the treatment of Alzheimer's disease), sulfur hexafluoride (for complex retinal detachment) and tetrathiomolybdate (for Wilson's disease).

But the branded manufacturers aren't the only group of pharmaceutical manufacturers being sought after to endorse orphans.

The Generic Pharmaceutical Industry Association (GPIA) also solicits sponsors from its membership. According to Abbey Meyers, director of the National Organization of Rare Diseases (NORD), many of the generic companies are family-owned businesses and can decide in an afternoon whether to adopt an orphan.

"They don't have to wait months to go through a board of directors," said Meyers, who added that NORD works with the PMA and GPIA regularly.

But according to Myers, while the Orphan Drug Act has made clinical research more appealing, it does little to provide funds for basic research on drugs for rare diseases. Only recently has the Office of Budget Management released the $4 million originally included in the act to aid fundamental research. The government has not been as generous this year, appropriating only $2.4 million.

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8 mEq and 10 mEq

KLOR-CON® tablets are film coated (not enteric-coated) tablets containing 600 mg (equivalent to 8 mEq) or 750 mg (equivalent to 10 mEq) potassium chloride (KCl) in an inert matrix. This oral potassium supplement formulation is intended to provide a controlled release of potassium from the matrix to minimize the likelihood of producing high localized concentrations of potassium within the gastrointestinal tract. The expended matrix is not absorbed and may be excreted intact in the stool.

INDICATIONS

BECAUSE OF REPORTS OF INTESTINAL AND GASTRIC ULCERATION AND BLEEDING WITH EXTENDED-RELEASE POTASSIUM CHLORIDE PREPARATIONS, THESE DRUGS SHOULD BE RESERVED FOR THOSE PATIENTS WHO CANNOT TOLERATE OR REFUSE TO TAKE LIQUID OR EFFERVESCENT POTASSIUM PREPARATIONS OR FOR PATIENTS IN WHOM THERE IS A PROBLEM OF COMPLIANCE WITH THESE PREPARATIONS.

1. For therapeutic use in patients with hypokalemia with or without metabolic alkalosis; in digitalis intoxication and in patients with hypokalemic familial periodic paralysis.
2. For prevention of potassium depletion when the dietary intake of potassium is inadequate in the following conditions: patients receiving digitalis and diuretics for congestive heart failure; hepatic cirrhosis with ascites; states of aldosterone excess with normal renal function; potassium-losing nephropathy, and certain diarrheal states.
3. The use of potassium salts in patients receiving diuretics for uncomplicated essential hypertension is often unnecessary when such patients have a normal dietary pattern. Serum potassium should be checked periodically, however, and if hypokalemia occurs, dietary supplementation with potassium-containing foods may be adequate to control milder cases. In more severe cases supplementation with potassium salts may be indicated.

CONTRAINDICATIONS

Potassium supplements are contraindicated in patients with hyperkalemia since a further increase in serum potassium concentration in such patients can produce cardiac arrest. Hyperkalemia may complicate any of the following conditions: Chronic renal failure, systemic acidosis such as diabetic acidosis, acute dehydration, extensive tissue breakdown as in severe burns, adrenal insufficiency, or the administration of a potassium-sparing diuretic (e.g., spironolactone, triamterene, or amiloride).

Wax-matrix potassium chloride preparations have produced esophageal ulceration in certain cardiac patients with esophageal compression due to an enlarged left atrium.

All solid dosage forms of potassium supplements are contraindicated in any patient in whom there is a cause for arrest or delay in tablet passage through the gastrointestinal tract. In these instances, potassium supplementation should be with a liquid preparation.

WARNINGS

Hyperkalemia: In patients with impaired mechanisms for excreting potassium, the administration of potassium salts can produce hyperkalemia and cardiac arrest. This occurs most commonly in patients given potassium by the intravenous route but may also occur in patients given potassium orally. Potentially fatal hyperkalemia can develop rapidly and be asymptomatic.

The use of potassium salts in patients with chronic renal disease, or any other condition which impairs potassium excretion, requires particularly careful monitoring of the serum potassium concentration and appropriate dosage adjustment.

Interaction with Potassium-Sparing Diuretics: Hypokalemia should not be treated by the concomitant administration of potassium salts and a potassium-sparing diuretic (e.g., spironolactone, triamterene or amiloride), since the simultaneous administration of these agents can produce severe hyperkalemia.

Gastrointestinal lesions: Potassium chloride tablets have produced stenotic and/or ulcerative lesions of the small bowel and deaths. These lesions are caused by a high localized concentration of potassium ion in the region of a rapidly dissolving tablet, which injures the bowel wall and thereby produces obstruction, hemorrhage, or perforation. KLOR-CON® 8 mEq and 10 mEq are extended-release tablets formulated to provide a controlled rate of release of potassium chloride and thus to minimize the possibility of a high local concentration of potassium ion near the bowel wall. While the reported frequency of small-bowel lesions is much less with extended-release tablets (less than one per 100,000 patient-years) than with enteric-coated potassium chloride tablets (40-50 per 100,000 patient-years), cases associated with extended-release tablets have been reported both in foreign countries and the United States. In addition, perhaps because the extended-release preparations are not enteric-coated and release potassium in the stomach, there have been reports of upper-gastrointestinal bleeding associated with these products. The total number of gastrointestinal lesions remains less than one per 100,000 patient-years. Potassium chloride extended-release tablets should be discontinued immediately and the possibility of bowel obstruction or perforation considered if severe vomiting, abdominal pain, distention, or gastrointestinal bleeding occurs.

Metabolic acidosis: Hypokalemia in patients with metabolic acidosis should be treated with an alkalinizing potassium salt such as potassium bicarbonate, potassium citrate, or potassium acetate.

PRECAUTIONS

The diagnosis of potassium depletion is ordinarily made by demonstrating hypokalemia in a patient with a clinical history suggesting some cause for potassium depletion. In interpreting the serum potassium level, the physician should bear in mind that acute alkalosis per se can produce hypokalemia in the absence of a deficit in total body potassium, while acute acidosis per se can increase the serum potassium concentration into the normal range even in the presence of a reduced total body potassium. The treatment of potassium depletion, particularly in the presence of cardiac disease, renal disease, or acidosis, requires careful attention to acid-base balance and appropriate monitoring of serum electrolytes, the electrocardiogram, and the clinical status of the patient.

ADVERSE REACTIONS

The most common adverse reaction to oral potassium salts are nausea, vomiting, abdominal discomfort, and diarrhea. These symptoms are due to irritation of the gastrointestinal tract and are best managed by diluting the preparation further, taking the dose with meals, or reducing the dose.

One of the most severe adverse effects is hyperkalemia (see Contraindications and Warnings). There also have been reports of upper and lower gastrointestinal conditions including obstruction, bleeding, ulceration and perforations (see Contraindications and Warnings): other factors known to be associated with such conditions were present in many of these patients. Skin rash has been reported rarely.

DOSAGE AND ADMINISTRATION

The usual dietary intake of potassium by the average adult is 40 to 80 mEq per day. Potassium depletion sufficient to cause hypokalemia usually requires the loss of 200 mEq of potassium from the total body store. Dosage must be adjusted to the individual needs of each patient but is typically in the range of 20 mEq per day for the prevention of hypokalemia to 40-100 mEq per day or more for the treatment of potassium depletion.

NOTE: KLOR-CON® Extended-release tablets must be swallowed whole and never crushed or chewed.

HOW SUPPLIED

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600 mg potassium chloride (equivalent to 8 mEq) in bottles of 100 (NDC 0245-0040-11), bottles of 500 (NDC 0245-0040-15), and unit dose packages of 100 (NDC 0245-0040-01);

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CAUTION: Federal law prohibits dispensing without prescription.

Consult complete information before prescribing.

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INSIDE PHARMACY

Exercise video aids arthritics

HEALTHWORKS

Arthritis, literally inflammation of a joint ("arth" = joint; "itis" = inflammation) actually refers to more than 100 different diseases, according to the Arthritis Foundation, based in Atlanta. More than 36 million Americans, including children, have the painful disease. Osteoarthritis, rheumatoid arthritis, gout, lupus, scleroderma, ankylosing spondylitis and juvenile arthritis are all part of the spectrum of arthritic disease.

Now, an unusual video is being produced by the Bayer Company with technical assistance from the Arthritis Foundation. The video stars Jane Powell, known for her musical talent in such vehicles as "Seven Brides for Seven Brothers," and is tailored especially for people with arthritis.

Dr. Michael Lockshin, an expert in arthritis, said at the conference that physicians generally believe that specially supervised exercise for arthritis sufferers can be quite beneficial. Kathleen Haralson, a physical therapy specialist who helped supervise the exercise video, added that swimming and walking are the best activities for arthritics.

The video will run about one hour and will be available at the end of the year. Bayer said that it would be priced "competitively" and will be sold to drug stores.

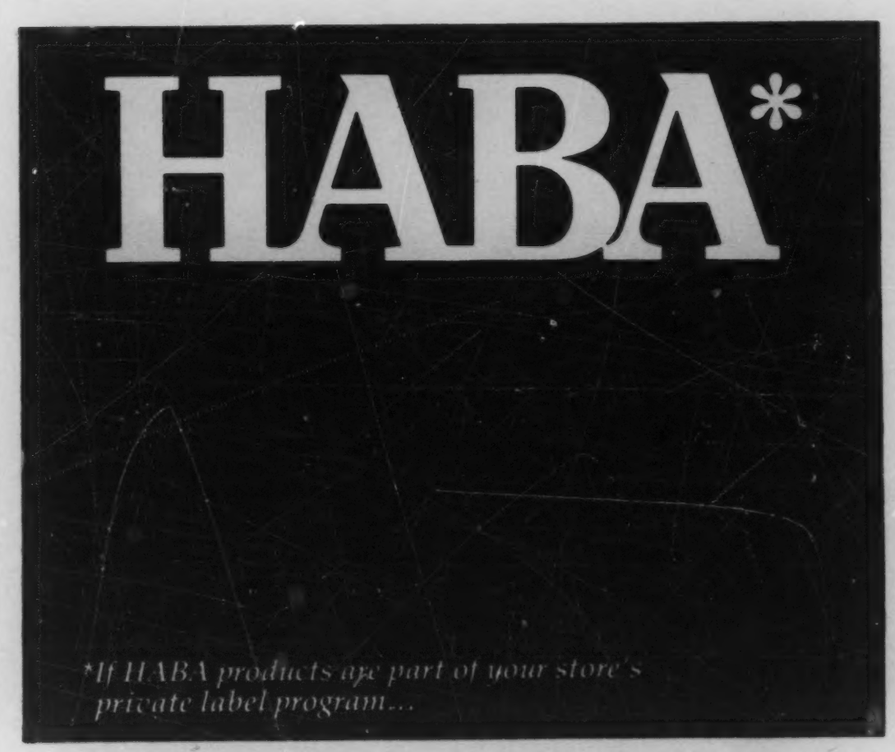
* * *

Cytomegalovirus (CMV) infection afflicts about 36,000 infants born in the United States each year. Although there are no apparent side effects in most infected newborns, about 10% go on to have impaired vision and hearing, and nerve abnormalities such as cerebral palsy, seizures or mental retardation.

While preventing the transmission of German measles from mother to fetus has proved do-able, this has not been the case with CMV: Studies show that women infected more than a year before conception can transmit CMV virus to their fetus. In other words, just because the mother has immunity against the virus, that in itself does not prevent transmission to the fetus. However, infected infants of women with immunity do appear to have less nerve damage.

Now there appears to be more disturbing news. A report in the May 29 issue of *The New England Journal of Medicine* shows children in day-care centers pick up the virus and transmit CMV to their mothers. Robert F. Pass, M.D. University of Alabama School of Medicine, Birmingham, and colleagues screened parents and children from three day-care centers where children had previously been known to have high rates of CMV infections. They also screened parents of children not in day-care centers for antibody to the virus. The results: children who acquire CMV in day-care centers "frequently transmit the virus to their mothers."

"Since it is very common for a second pregnancy to occur while the first child is still of preschool age, we must be concerned that these infections brought home from the day-care center would ultimately result in congenital infection," the authors reported.



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PLMA's 1986 Salute to Excellence PRIVATE LABEL TRADE SHOW

November 16-19
Chicago

Orphans tested on patients

Continued from page 50

its of the 1983 law solely on what has been marketed so far. They say it's necessary to wait another five years to see whether drugs that were designated as orphans just after the law went into effect are ever marketed. In 1984 alone, 37 drugs received orphan status and another 34 received the nod in 1985. Proponents of the law point out that most of these drugs are still in clinical trials.

To speed up the process of approval, the F.D.A. has approved testing of those orphans in clinical trials on patients who actually have the disease rather than on "healthy volunteers."

In one example, F.D.A. approval for Pimozide (McNeil) was based on one study involving 20 patients who suffered from Tourette's syndrome, a neurological disorder.

Safeway cuts workforce

Continued from page 1

"We have a major restructuring of our operations coming up. We know Safeway is eventually going to become a smaller company. This is preparation for that," said Robert Bradford, Safeway's senior vp-public relations.

Bradford said the cutback is "a recognition that the size of the company is going to shrink," even though KKR hasn't completed the purchase or announced which Safeway assets it will sell.

A tender offer by the New York investment company of $69 in cash for up to 45 million shares of 61.3 million outstanding shares expired Aug. 28, after which KKR would negotiate a merger to acquire the remaining shares. The merger would be completed within two months after the tender offer, during which time current management will be offered up to a 10% interest in SSI Holdings, the new company formed to own Safeway.

Numerous divisions of the country's largest supermarket chain have been named as possible spinoff candidates when KKR sells assets to reduce the heavy debt the leveraged buyout imposes. Dart reportedly has discussed buying the Southern California segment and the Eastern division (centered in Washington and Richmond, Va.), which would put the former owner of the Dart Drug chain at the helm of a grocery operation for the first time. Safeway's profitable California-based Liquor Barn division has been named as another sale candidate for Dart.

Safeway's Canada and Great Britain divisions are almost certain to be sold to other investors.

Cutting Safeway employment through attrition has been a priority of Peter Magowan since he became the chain's ceo and chairman in 1980.

Store workers not affected

Bradford said the layoffs did not affect store-level employees. Nevertheless, the United Food and Commercial Workers Union, which represents Safeway employees, filed a lawsuit against Safeway, KKR and others, including Safeway shareholders and the banks providing the buyout financing. The suit claims that the buyout is a "fraudulent conveyance" and violates the California Unfair Competition law, among other statutes.

KKR and Safeway in a joint statement said they believe the suit is without merit, and expect the tender offer to proceed subject to the stated terms.

Bradford said that Safeway officers have agreed to meet with the union to discuss their concerns at a date to be set sometime after Labor Day.

Revco revamps network

Continued from page 1

Field operations had been divided into two divisions, comprising 10 regions, and further divided into 105 districts.

The move follows a top management shift in which Richard Butler, former vp-store operations at F&M Distributors, was named senior vp-store operations, and Albert Sebok was moved from that post to a new slot as senior vp-professional operations.

More market-driven

William Edwards, president and ceo, said the redefinition of Revco's regions along market lines will allow the chain to "operate as a more market-driven organization, responding more quickly to customer needs.

The chain announced two new appointments to head two of the five new regions. Michael Miskell, 48, most recently a vp for gm and drug store operations at Supermarkets General, will head the Eastern region as vp. The 444-store region comprises Ohio, eastern Kentucky, West Virginia, Pennsylvania, Virginia, Maryland, Delaware and New York.

Richard Mergo, 41, formerly director of stores for retailing operations for Forest City Enterprise, Cleveland, is vp of the 377-store Western division.

Three former Revco regional vp's head up the other three zones.

Richard Pfrogner, 48, heads the Southern region, with 430 stores in Louisiana, Mississippi, Arkansas, Alabama, Georgia, Florida and western Tennessee. Darrell Patton, 38, oversees the Carolina region, with 415 units in North and South Carolina. And Allan Friedson, 41, will lead the 311-store Central region in Michigan, Indiana, western Kentucky, eastern Tennessee, Illinois, Kansas, Missouri and Iowa.

The 42-store Carl's chain in New York, New Hampshire, and Vermont will continue to operate as a separate division.

"It's really a preliminary step to get their arms around the business," said Susan Schmierer, an analyst with Prudential Bache.

Tax bill impact murky

Continued from page 1

much of the tax savings originally envisioned by chains and independents.

Plus side

On the plus side, corporate tax rates will decline significantly from the current 46% maximum to 34%. Although this reduction will benefit businesses of all kinds, retailers and wholesalers—generally unable to take advantage of the tax credits, subsidies and other breaks available to manufacturing firms—stand to gain proportionately more as a result of the lower rates.

Although the current 25% R&D credit will be trimmed to 20% retroactive to the beginning of 1986, research-oriented drug manufacturers do not believe this relatively modest cutback will chill new pharmaceutical development.

Effect on spending

Both retailers and manufacturers are counting on an increase in consumer spending as a result of the bill's overall reduction of individual taxes. However, recent analyses suggest that this may be wishful thinking.

Although the legislation will shift more than $100 billion in taxes from individuals to corporations over the next five years, the effect on the average family's take-home pay is estimated at only $5 to $8 per week—not enough to have a noticeable effect on consumer purchasing practices, according to economists.

Moreover, the bill's phase-out of tax deductions for consumer interest may discourage credit card purchases and at least temporarily depress consumer spending.

Minus side

In addition, the legislation contains several clearly negative provisions for drug retailers, including new rules governing the capitalization of inventory that will delay deductions for certain buying costs. Overall, that change is expected to increase the tax bite on retailing by $2.4 billion to $2.9 billion over the next six years, according to some analysts.

Similarly, fast-growing drug chains and expansion-minded independents will lose key tax breaks under the legislation, including the current 10% investment tax credit and the favorable depreciation rules for purchases of new equipment, buildings and vehicles.

The drug store industry also figures to be adversely affected by tighter rules governing other types of business deductions. Starting next year, for example, only 80% of the cost of business meals will be deductible, while expenses for certain other types of business entertainment may not be deductible at all.

Additionally, the industry may also see an increase in the already accelerating cost of insurance, as carriers adjust premiums to compensate for provisions in the tax bill establishing less favorable accounting rules for insurers.

In the long run, the lower corporate tax rates contained in the legislation may more than offset the cost increases for drug stores. But a final answer on how the retail drug industry will fare under tax reform may not be available until the 1990's.

Combos strive for edge

Continued from page 17

1% in pretax profits by operating our own warehouses for food and nonfood, as well as operating our own dairy. And next year, we are opening our own bread plant." Another contributing factor: "We work on good margins on housewares, imports and specialty categories such as movie rentals."

Jim Teel, vp of operations for Raley's, said, "We are adding more convenience, more variety and better service at the checkstands. In addition, we offer other services such as nutrition centers, travel centers and our new insurance centers."

Added Bob Wunderle, vp-consumer affairs for Supermarkets General: "Although our competitive strengths are variety, price and location, the most important thing is execution—the degree we can deliver. And that means well-stocked shelves; clean, well-lit stores; and good service at the checkstand."

Albertson's strategy

Gary Michael of Albertson's noted, "Our strategy is to narrow the price differential between the superwarehouse store and ours. Let's say their break-even is $800,000 a week. By competing strongly, we may help bring it down to $500,000. Because of their large fixed expenses [they invest $250,000 in a scratch bakery, while ours cost $100,000], they will have to raise prices, and that works to our advantage. But this won't happen overnight—it will take two or three years. Meanwhile, their stores are terrific, and they can scare the hell out of you."

However, the superwarehouse store is proving to be a moving target, for it, too, is changing.

Ralphs' Giant (60,000-110,000 sq. ft.) not only has upscale perishable departments, but leases 12 to 18 specialty stores on the concourse, further widening the selection. Byron Allumbaugh, Ralphs chairman, admits that Giant will lose some business to these shops, but he feels that they will add to one-stop shopping and enable the store to operate as a strip center. Typical lessees are Thrifty Jr. and Famous Amos cookies

H&BA pulls traffic

In its Pavilions stores (50,000-75,000 sq. ft.), Vons uses H&BA as a traffic draw (12% to 14% margins) to pull shoppers into a dozen service departments.

In Denver, Cub has not only doubled its usual number of H&BA sku's, but has opened one of the largest scratch bakeries in the West—it employs 50 people and bakes 35,000 loaves of bread daily. Drug Emporium is opening alongside the first three Cubs in the Denver area, thereby providing 100,000 sq. ft. of food and drug in a price-shouting environment.

Combo operators will try to open another bag of merchandising tricks to reduce that shouting to a whisper.

Core sales fight persists

Continued from page 15

/Page name—the most in its 50-year history.

Why? Combos are a lot more productive than their other store formats, including 13 freestanding Page drug stores.

What are conventional drug store retailers doing? In some cases, extending into newer areas, such as Rite Aid's video rental effort. Others such as Eckerd and Dart Drug have developed downsized prototypes that offer operating efficiencies and the flexibility to enter smaller but desirable locations.

Many conventional chains are cutting costs and improving distribution to keep the profits in the business even if sales don't grow much.

To keep their distinctive niche in the marketplace, many drug store operators are restressing pharmacy, OTC, H&BA and cosmetics departments. If they lose the health care image, they will lose the customer franchise and be less able to compete against divergent retail formats eying the same shopper.

Who will win? Only blood, sweat and tears will tell in the rest of the 1980's.—**Al Heller**

Marc's takes on Akron

Continued from page 1

cartoons. The value impact is enhanced by a somewhat disorderly presentation, due in part to the heavy customer traffic and high volume. Two caged Toucans add to the festive atmosphere in the Middleburg store.

Having peaked at $100 million in sales in 1985, Marc's is also expanding the Middleburg store by 10,000 sq. ft. to 32,000 sq. ft. by taking over an adjacent home center store in the Southland Shopping Plaza. Middleburg is home base for Marc Glassman, the Harvard MBA who is president and general manager and runs the chain with his mother.

The three other stores each hit $15 million in sales, still far above the average $6 million volume achieved by most deep discounters.

Both will have pharmacies, as do three of the five in the current fleet.

Grand opening advertising will include full-page ads in the *Akron Beacon* and the Cleveland *Plain Dealer*. Marc's typically confines advertising to occasional radio and newspaper promotions.

Marc's will be the first deep discount presence in Akron, 30 miles south of Cleveland, that now hosts Revco and Gray Drug Fair among conventional drug store chains, and food/drug combos opened by Finast and Giant Eagle.

Special Report:
Lowdown on ethnic H&BA trends—p. 23

Store Manager Training:
In-store ads—p. 60

Merchandising Trends:
Tartar, plaque fighters join dentifrices—p. 42

DRUG STORE NEWS

Vol. 8/No. 21 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. September 29, 1986

Rite Aid buyout fortifies its position in Southeast

By Al Heller

CHARLESTON, S.C. — Rite Aid has taken another step in its march South by acquiring nine stores of Harris Drugs here in a cash deal for an undisclosed price.

The late September buyout gives Rite Aid a clear edge in this growing market where Eckerd and Revco each have about 10 stores; Drug Emporium, two; and now Rite Aid has 20. It raises Rite Aid's total to 62 stores in the state.

Executive vp Martin Grass called Harris "the most viable independent left in South Carolina. It's the perfect fit in the puzzle" on several counts.

The takeover will likely enable Rite Aid to dominate the state's third largest market as it eyes much of its new store growth in the southeastern corridor from Virginia to the Florida Panhandle.

Close match

In addition, most Harris stores are 7,000 sq. ft., a close match to Rite Aid's 6,400-sq.-ft. bantam format, which will ease the process of resetting, resigning and remerchandising the stores by late October.

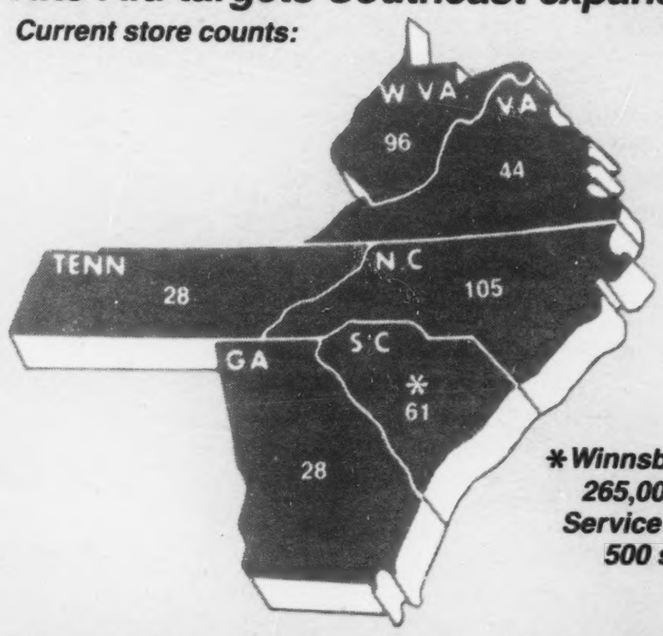
Grass said Rite Aid store signs would be up by the end of September, immediately after the deal is concluded, and stores would remain open during both phases of revamp, which he estimated to cost $75,000 to $80,000 per store.

Phase one will be the October remerchandising to reassort, add Rite Aid private la-

See **Rite Aid,** *page 98*

Rite Aid targets Southeast expansion

Current store counts:



***Winnsboro, S.C.
265,000 sq. ft.
Service capacity:
500 stores.***

These stores are currently being serviced by a distribution center in Nitro, W. Va. However, a new 265,000-sq.-ft. DC is slated to open in Winnsboro, S.C., next spring with capacity to service 500 stores in the Southeast. The new DC will service stores primarily in South Carolina, North Carolina, Tennessee and Georgia, leaving the Nitro DC to meet expansion needs in other markets.

Source: Rite Aid

Key takes backseat in Pay Less' plans

By Lou Karney

WILSONVILLE, Ore. — In a major shift of priorities, Pay Less NW has put its Key Drug program on the back burner and moved Wonder World front-and-center.

Key Drug is Pay Less' downsized version (6,000-10,000 sq. ft.), while Wonder World is a 55,000-sq.-ft. deep discount store without pharmacy.

Pay Less' redirection was signalled several months ago when Gordon Barker, former general manager of Key and a 20-year Pay Less veteran, was named operations manager of Wonder World. He was not replaced at Key.

A source close to Pay Less said: "Noel Flynn (senior vp-pharmacy, who heads Key) has too many corporate responsibilities to handle day-to-day activities of Key. In addition, Key does not have an adequate staff to find the locations." Flynn would not comment.

However, another Pay Less exec insisted that "Key would open 10 new stores tomorrow if they could get the locations."

Picking locations

But locations are difficult to come by. One reason is the requirements, which include adequate parking, a population draw of 5,000 to 10,000 people and a grocery store nearby to

See **Key,** *page 98*

NACDS endorses CIP for Medicaid repayments

ORLANDO, Fla. — In what has been described as a "once-in-a-generation opportunity for the chain drug industry," the National Association of Chain Drug Stores has endorsed a "somewhat modified" competitive incentive program (CIP) to replace current Medicaid prescription drug reimbursements.

The announcement came from NACDS president Robert Bolger, speaking before an audience of approximately 800 chain drug execs and manufacturers' reps at this year's NACDS Pharmaceutical Conference.

In his remarks, Bolger said that a modified CIP program holds the greatest promise for "simultaneously achieving substantial program savings and at the same time redressing longstanding inequities in the reimbursement system."

Additionally, he said such a program would "significantly

See **NACDS,** *page 98*

Genovese coo quits

MELVILLE, N.Y. — Genovese Drug Stores said Patrick R. Edwards, president and coo, resigned Sept. 12 to pursue other business interests. Chairman and ceo Leonard Genovese, 52, assumed Edwards' spot immediately, giving Genovese back the dual role he held until a year ago, when Edwards joined the drug chain from Allied Stores. A Genovese spokesman would not elaborate. Under Edwards, 46, Genovese set itself on a turnaround track.

Turnaround strategies pay off for Fay's, Genovese

Fay's net earnings in second quarter double

LIVERPOOL, N.Y. — Strategies employed by Fay's to raise profitability in a weak sales environment have begun to pay off and reverse an earnings slide that started last year and continued into the first quarter of 1986.

Fay's has shown the first signs of shaking off last year's 68% earnings slide, only its third down year in profits out of 17 years as a public company, by: raising prices in selected markets, running fewer items in each ad to reduce the share of volume done on promotion, tightening expense controls and concentrating expansion in existing markets.

Moreover, Fay's is sticking to aggressive new store opening and remodeling plans, de-

See **Fay's,** *page 98*

'Our planning is addressing profitability in a different manner.'
—Henry A. Panasci Jr.
chairman, Fay's

Genovese improves distribution, merchandising

MELVILLE, N.Y. — Genovese Drug Stores appears to be on track in its turnaround efforts this year, due in large part to stronger distribution, merchandising and cost containment programs.

Moreover, Genovese's next store, its 80th, could mark a new direction in the chain's expansion strategies. The store, slated for suburban Douglaston, N.Y., would be a compact 6,000-sq.-ft. format—about half the size of its current 11,000-12,000-sq.-ft. prototype.

Vp-marketing Donald Gross declined to reveal further details about the store, except to say that "it's possible we'll see more small stores because of real estate costs." He said, however, that most new stores would be in its current larger size, depending on available sites and neighbor-

'[We're] on target, slightly exceeding goals, but not yet where we expect to be by year-end.'
—Donald Gross
vp-marketing, Genovese

hood demographics.

Genovese may not open the store until early 1987 because of slight delays in its scheduled October opening. "We don't cut into the Christmas season," Gross said.

The store would be Geno-

See **Genovese,** *page 8*

Nation's top 100 drug store markets See page 64

Alternative cards let it

0026934C DR
KEVIN KENDRICK
CONGRESSIONAL INFO SVC 1G5
4520 EAST WEST HWY STE 800
BESTHESDA MD 20814

NEWS IN BRIEF

Drug Emporium settles diversion case

ATLANTA — Drug Emporium has settled for $100,000 a federal Justice Department charge against the company that stems from a 1985 probe of diversion activities.

The settlement followed guilty pleas by the chain and two pharmacists, who were charged with dealing in misbranded drugs, a misdemeanor.

The chain and pharmacists Stephen Denovchek and Vincent DiMaggio pleaded guilty Sept. 9 to charges of dealing in drugs obtained from Georgia. The drugs were obtained for stores in Cincinnati and Columbus through Tri-State Pharmaceuticals, a Cincinnati wholesaler. Tri-State last year was identified as a dealer in misbranded drugs when former Drug Emporium pharmacist Jimmie Wilson was charged with sending misbranded drugs from Georgia.

Since diversion activities in Ohio were brought to light over a year ago by the federal probe and by an investigation by the Ohio State Pharmacy Board, Drug Emporium has instituted strict policies against obtaining diverted drugs, said Charles Kahn, vp-finance.

"It was less than 1% of our business. We have since taken all such items off our shelves and have a stringent policy prohibiting any purchase from the diversion market," Kahn said.

Compact Video to buy Adams Drug

BURBANK, Calif. — Compact Video has signed a letter of intent to buy 400-store Adams Drug, based in Pawtucket, R.I., from Revlon Group. Terms will be $80 million in cash and $15 million in junior subordinated notes.

Both Compact Video, a Burbank-based servicer and manufacturer of video communications products, and Revlon parent Pantry Pride are controlled by MacAndrews & Forbes.

Drug Store News reported earlier that the sale of Adams amounts to a reshuffling of assets by MacAndrews. The transfer of Adams, which had been negotiated since last February, is expected to make Adams the primary growth vehicle at Compact.

Cardinal cites steep net climb

DUBLIN, Ohio — Cardinal Distribution reported sharply higher sales and improved net earnings in the first quarter ended June 28.

Sales jumped 44% to $145.2 million in the quarter, up from $100.5 million last year. Much of that gain is attributable to two months performance of James W. Daly, a drug and hospital supply wholesaler in Peabody, Mass., acquired April 30. Sales grew 28% exclusive of Daly.

Drug sales for the quarter rose to $86.9 million, or 59.8% of total sales, up from $46.4 million, or 46.2% of total sales, in the same period a year ago. That gain reflects contributions by Daly, expanded programs to hospitals and a strong retail drug sales environment.

Operating earnings rose 25% to $2.5 million, up from $2 million in the year-ago quarter, reflecting growth in the high-margin drug distribution segment.

Net earnings climbed to $1.2 million in the first quarter, up from $1.08 million a year ago, and were dampened in part by start-up expenses associated with the opening of new Mr. Moneysworth discount warehouse food stores.

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Vol. 8, No. 21 September 29, 1986

Pharm-Escomptes hires execs as prep for N. Eng. debut

MONTREAL — Pharm-Escomptes Jean Coutu has hired two key executives as a major step toward the debut of its first five deep discount drug stores in New England in early 1987. The chain's working title is J. C. Super Drug, market sources said.

Vp-Michel Coutu said that Quebec's largest drug retailer has brought on board Arthur Villeneuve as vp-operations and George Neville as vp-merchandising and purchasing to help direct the assault on the United States. Both are former Adams executives.

Coutu said these hirees clear the decks to open "the store of the future"—a primarily deep discount format, but with some of the service and variety elements of traditional drug stores.

The five stores will range from 20,000-25,000 sq. ft., including 15,000-18,000 sq. ft. of selling space. Coutu projects that each will generate $10 million sales during their first year.

Centralized buying

The new chain will buy centrally, but all merchandise will be drop-shipped to stores.

"We've looked at this market for several years," said Coutu, "and concluded there is no future for us with a traditional drug store in the U.S. That's why we want to open stores that will not be like everyone else."

He called New England "virgin territory" for an approach of this type.

Neville and Villeneuve have recently traveled across the United States "looking at dozens of drug stores" to glean ideas for the new chain. Neville declined to talk in detail about the merchandising formula, but said stores would have the deal items one would expect to see in a deep discounter and merchandise typically found in traditional drug stores.

The mix will include convenience foods and a full-service pharmacy, which Coutu believes is critical for any drug chain's survival today. The chain is currently seeking a director of pharmacy operations, the executives told *Drug Store News* in an exclusive interview.

2 ways to go

"In my mind there are two ways of doing business," said Coutu. "You can go for short-term gains by offering minimum service and low prices, or long-term gains by offering service and low prices. We tend to go with the latter."

"We want to do this right," said Coutu, explaining why he would rather not rush to open stores for the Christmas season. "We want to do some market testing of our first store. We want all the bugs worked out before we open our doors to the public."

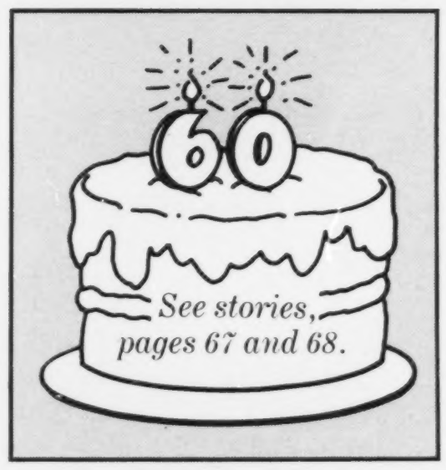
Big Apple hosts Affil./Assoc.

NEW YORK — Buyers and merchandisers from as many as 100 drug chains were gearing up to attend the Affiliated/Associated fall merchandise show at the Omni Park Central Hotel here.

The show, being held Sept. 28-Oct. 1, will feature 170 exhibitors occupying every room on the fourth, fifth and sixth floors of the hotel. They will be displaying some 500 lines of H&BA and sundry merchandise. Twenty-two of the exhibitors are first-timers.

In a separate event, *Drug Store News* was scheduled to hold its Second Annual REX Retail Excellence Awards Dinner at the Sheraton Center on Sunday night, Sept. 28.

The publication was honoring its annual award winners in many different categories including large and small chains of the year, merchandising executive of the year and wholesaler of the year, plus the companies selected by retailers from their 1985/86 market-making products.



Affiliated was slated to hold its traditional idea-exchange session called "What's Good With You" on Sunday, Sept. 28, 9 a.m. to 4 p.m. The program included an update on health & beauty aids and cosmetics and a panel on importing.

Associated's Sunday afternoon membership meeting (1:30 p.m. to 4 p.m.) was entitled "Yes, We Can."

The meetings were to be followed by a reception at the Omni for both groups sponsored by *Drug Store News*.

The exhibitor showrooms at the Omni will be open to members on Monday and Tuesday, Sept. 29 and 30, and on Wednesday, 9 a.m. to 1 p.m.

Seaway to dip into Rx waters

MAUMEE, Ohio — Seaway Food Town, owners of a 72-unit chain of conventional and warehouse-style supermarkets, is expanding into the drug store business on two fronts: testing deep discount drug stores and testing the expansion of pharmacy departments inside their food stores.

Part of Seaway's expansion into the drug store market is coming via acquisition. Seaway, for an undisclosed sum, has just acquired the four-store Westhaven chain of drug stores headquartered in Holland, Ohio, a suburb of Toledo.

Seaway, which opened one experimental deep discount drug store called W.D.'s Deep Discount last June, will use Westhaven's three deep discount drug stores, operated under the name The Pharm, to further test the deep discount format.

They will also keep the one conventional drug store operated under the Westhaven name as a vehicle "for learning more about the drug store and pharmacy business."

Richard Iott, Seaway's senior vp-marketing, said that Seaway views both deep discount drug stores and pharmacy departments within supermarkets as an "opportunity to expand our retail sales into different market segments as well as a way to make money."

Expansion plans

Iott said that Seaway will open at least one pharmacy department in one of its conventional Food Town supermarkets this year, and there will probably be more such pharmacy departments opening in Seaway food stores next year.

He said a decision on whether Seaway will also expand the deep discount drug stores will be made "at that point where we feel we have learned the business and we know where or how great the opportunity is."

Seaway currently operates 46 conventional supermarkets under the Food Town name, plus 26 warehouse-style Kash 'n Karry Super Food stores. At this point, he said it could be feasible for at least half the Food Towns and half the Kash 'n Karrys to support pharmacy departments as well as expanded H&BA and OTC sections.

Ohio and Michigan

All of the Seaway stores currently operate in 28 communities in Ohio and Michigan. The three Pharms are all in the Toledo market, one in the city of Toledo and two in its suburbs. W.D.'s is in Findlay, Ohio.

Right now, Iott estimates, the two oldest Pharms, which are about two years in operation, are doing in excess of $3 million a year per store. The younger store, which is about six months old, is building to that level.

He said W.D.'s, which opened last June, is doing in the vicinity of $50,000 a week and that sales have been growing at the rate of about 30% per month.

No decision has been made on whether The Pharm or W.D.'s will have a name change or whether any of the stores will be remerchandised, he said.

See **Seaway,** *page 98*

FINANCIAL

Stop & Shop to launch 23 superstores by '88

BOSTON — The Stop & Shop Cos. reported improved second-quarter results, driven in large part by the strong performing supermarket division.

The division at presstime had 27 superstores among its 111 store count in Connecticut, Massachusetts, Rhode Island and New York. Sixteen have pharmacies.

But virtually all new superstores—including four slated to open later in 1986 and a total of 23 to open between now and the end of 1988—will have pharmacies, chairman Avram Goldberg told *Drug Store News* recently. The exception will be in Massachusetts, where a state restriction bars pharmacies in food stores.

More financial coverage, p. 8

Stop & Shop plans to spend $225 million to expand its superstores during this period, part of its three-year, $500 million capital spending program announced at its annual meeting last spring to fund a combination of new stores, remodels, distribution center modernizations and scanning systems in its retail divisions, including Bradlees discount department stores and Almys promotional department stores.

The retailer opened three new superstores this past quarter in Hyannis, Mass.; Branford, Conn.; and Pawtucket, R.I.

Enabled to expand

Having sold Medi Mart to Walgreens, Stop & Shop is able to expand Rx operations in its superstores without fear of sales cannibalization between the two formats. That was one reason that led to the sale of the underperforming retail drug chain.

Superstores appear to warrant the extra corporate emphasis, judging by current performance. They "have a major positive impact on the profitability of the supermarket company, with customer acceptance being extremely strong," the company said.

Supermarket sales rose 11% in the second quarter ended Aug. 16 to $456.6 million, up from $409.8 million in the comparable year-ago period. Same store sales rose 6%.

The division's operating profits rose to $13.9 million in the quarter, up from $9.8 million a year earlier.

For the six months, supermarket sales were $1.04 billion, up from $945.8 million in the year-earlier half. The division's operating profits were up to $33.8 million, compared with $23.5 million a year ago.

Goldberg estimated that superstores would produce 60% of supermarket division volume this fiscal year.

Gains reported

Corporate results showed gains in total retail sales and net earnings in both the second quarter and six month periods.

Second-quarter sales rose to $836.4 million, up from $737 million a year ago. During that same period, net earnings turned around to $14 million, compared with a $1.2 million loss in the same quarter a year ago.

Six-month results showed similar gains. Sales rose $1.9 billion, up from $1.7 billion a year earlier. Net earnings during the half climbed to $17.9 million, up from $5.7 million in the same half a year ago.

Corporate figures have been restated for the discontinued operations of the Medi Mart Drug Store and Charles B. Perkins divisions.

Albertson's net rises

BOISE, Idaho — Albertson's reported higher net earnings and sales in the second quarter and six months ended July 31.

Sales in the quarter rose 5% to $1.34 billion, up from $1.27 billion in the same period a year ago, despite sluggishness in May and June, the company reported.

Net earnings rose a more dramatic 17% to $22.9 million, up from $19.7 million in the second quarter last year.

The food and combination store retailer managed to raise gross margins in the six months to 22.6%. The net to sales ratio also rose in the first half to 1.83%, up from 1.55% last year.

Six-month net rose 25% to $48 million, up from $38.4 million in last year's first half.

Sales in the six months were up 6% to $2.62 billion, compared with $2.48 billion in the same year-ago period.

Albertson's has opened eight new stores in the first half, including five in the second quarter. They include two 60,000-sq.-ft. combination stores in the Dallas area, raising the chain's store count in that market to nine and 446 chainwide in 17 Western and Southern States.

The chain also opened two 45,000-sq.-ft. superstores in California.

K mart and Wal-Mart report soaring sales and net earnings

The nation's two largest discount department store chains—with a combined total of about 1,600 pharmacies—reported sharply higher sales and net earnings for their respective second-quarter and six-months periods.

K mart

TROY, Mich. — which has pharmacies in about 1,100 stores or roughly half the chain, had second-quarter sales of $5.98 billion, up from $5.46 billion a year ago.

Net income rose to $118 million in the quarter ended July 30, up from $75 million in the comparable quarter a year earlier.

For the six months, sales climbed to $11.19 billion, a gain over volume in last year's first half of $10.45 billion.

Net income for the half rose to $210 million, a sharp climb over the $133 million earnings registered in the same half a year ago.

Wal-Mart

BENTONVILLE, Ark. — The country's second largest discounter, which has about 500 pharmacies spread among its 915 discount department stores, showed a 43% sales gain in the second quarter ended July 31 to $2.77 billion from $1.93 billion a year ago.

Net income was also up in the quarter by 34% to $95.9 million from $71.8 million in the comparable year-earlier quarter.

Gains were similar for the six-month period. Sales for the half rose 42% to $5.11 billion from $3.59 billion a year earlier.

Net income climbed 37% to $169.3 million, compared with $123.5 million.

Name	Symbol	STOCK PRICE From 08/29/86 - 09/10/86 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct.	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	62.75	58.50	59.50	-2.50	-4.03	71.25	53.13	4.11	-1.65 s	-29.2	14.9	.84	1.4
Arbor Drugs	ARBR	18.75	17.75	17.75	-1.00	-5.33	24.25	17.75	.72	.93 n	NC	19.1	.00	.0
Begley Co	BGLY	21.00	21.00	21.00	.50	2.44	23.50	15.50	1.27	-.27 q	-20.5	20.0	.72	3.4
Big B	BIGB	16.88	16.50	16.75	-.13	-.74	18.75	12.63	.61	-.03 s	-4.2	24.6	.00	.0
Drug Sys	DRGS	6.88	6.63	6.63	-.13	-1.85	8.25	3.75	-.36	-.78 q	-100.0	NE	.45	6.8
Fay's Drug	FAY	10.38	9.25	9.50	-.88	-8.43	11.75	8.00	.20	-.32 s	-72.7	79.2	.20	2.1
Genovese Drug	GDX	14.88	13.88	14.13	-.63	-4.24	16.63	9.63	.73	-.66 s	-60.0	32.1	.20	1.4
Longs Drg Strs	LDG	36.75	34.88	36.13	.75	2.12	38.75	24.75	1.74	-.20 s	-10.4	20.9	.76	2.1
Medicare Glaser	MGCO	4.75	4.25	4.75	.00	.00	5.00	3.50	-.20	-.11 q	NE	NE	.00	.0
Medicine Shoppe	MSII	31.00	30.00	30.75	.25	.82	32.00	21.00	.84	.15 n	18.8	32.4	.00	.0
Perry Drug	PDS	15.00	14.25	14.38	-.50	-3.36	20.88	12.75	.98	-.10 n	-11.0	17.7	.22	1.5
Revco Drug	RDS	36.38	35.88	36.25	-.13	-.34	39.88	24.25	1.72	.66 f	62.3	21.1	.80	2.2
Rite Aid Corp	RAD	33.50	31.88	32.38	-.88	-2.63	35.50	21.50	1.52	.09 q	5.6	19.2	.58	1.8
Walgreen Co	WAG	35.50	32.63	33.00	-2.50	-7.04	39.50	22.50	1.53	.14 n	9.2	19.8	.50	1.5
Wholesaler's transactions														
Alco Hlth	AAHS	21.88	21.13	21.13	-1.25	-5.59	25.38	12.75	1.10	.19 n	18.3	17.2	.00	.0
Bergen Bruns	BBCA	22.88	21.88	22.75	.00	.00	37.25	21.50	1.82	-.26 n	-14.4	14.7	.32	1.4
Bindley Wstn	BIND	12.13	11.75	11.75	.13	1.08	12.50	7.75	.79	.09 s	11.5	13.5	.00	.0
Cardinal Distrb	CDIC	19.50	18.75	19.25	-.50	-2.53	25.25	14.22	1.36	.40 q	40.8	13.9	.08	.4
Durr Fillauer	DUFM	13.13	12.25	12.25	-.75	-5.77	16.75	9.25	.78	-.02 s	-2.5	15.5	.16	1.3
Ketchum	KCH	24.25	22.13	24.00	1.25	5.49	24.25	14.75	.17	-.39 f	-69.6	NM	.00	.0
McKesson Cp	MCK	65.25	61.38	61.50	-3.63	-5.57	67.00	44.88	3.96	.37 q	10.1	15.2	2.56	4.2
Moore Med	MMD	26.75	24.50	24.50	-2.00	-7.55	27.25	16.00	1.45	.23 s	18.3	16.4	.00	.0
Owens & Minor	OBOD	15.38	14.75	15.13	-.63	-3.97	20.25	13.38	1.14	-.03 s	-2.8	14.4	.30	2.0
Manufacturer's transactions														
Abbott Labs	ABT	49.88	45.25	45.25	-4.38	-8.82	55.00	26.44	1.94	.32 s	17.8	21.3	.84	1.9
Am Home Prod	AHP	91.50	83.75	84.75	-6.63	-7.25	94.88	54.75	4.70	.40 s	8.8	17.2	3.10	3.7
Baxter Travenol	BAX	18.38	17.00	17.13	-.50	-2.84	21.25	12.38	.85	.43 s	238.9	28.1	.40	2.3
Block Drugs Co	BLOCA	27.50	26.25	26.25	-.88	-3.23	27.50	18.69	1.84	.15 q	8.6	13.9	.50	1.9
Bolar Pharm	BLR	26.38	24.50	24.75	-1.25	-4.81	32.88	12.00	.71	.13 s	18.6	29.8	.05	.2
Bristol-Myers	BMY	78.25	73.25	75.25	-2.75	-3.53	88.50	53.63	3.86	.24 s	6.6	19.3	2.20	2.9
Carter-Wallace	CAR	81.75	71.25	71.75	-9.50	-11.69	86.13	32.38	3.63	1.03 q	35.9	18.4	.80	1.1
Forest Labs	FRX	20.50	18.25	18.25	-2.00	-9.88	22.00	10.56	.49	.15 q	37.5	33.2	.00	.0
ICN Pharm	ICN	24.38	19.75	22.38	-1.63	-6.77	34.00	8.63	-2.10	-2.20 s	-100.0	NE	.00	.0
Lilly Eli Co	LLY	77.88	70.50	70.63	-7.38	-9.46	83.50	41.75	3.69	.39 s	11.1	18.1	1.80	2.5
Lee Pharm	LPH	31.00	25.25	27.00	-4.00	-12.90	38.63	5.63	.40	1.62 n	450.0	13.6	.00	.0
Leiner P Nutri	PLIN	18.00	17.13	17.50	.50	2.94	21.00	8.50	.81	.26 q	40.6	19.4	.00	.0
Marion Labs	MKC	43.75	35.25	38.50	-5.50	-12.50	50.00	15.63	.70	.23 f	48.9	55.0	.20	.5
Merck & Co	MRK	115.63	103.13	104.63	-11.00	-9.51	116.75	51.75	3.79	.76 s	21.7	24.6	2.20	2.1
Morton Thiokol	MTI	37.50	35.88	36.88	.38	1.03	40.50	30.00	2.80	.30 f	12.0	13.2	.70	1.9
Mylan Labs	MYL	13.88	12.63	12.88	-.38	-2.83	18.09	9.00	.57	.24 q	63.2	20.8	.07	.5
Newport Pharm	NWPH	7.00	6.38	6.88	.13	1.85	14.50	4.88	-.10	-.03 q	NE	NE	.80	11.6
Par Pharm	PARP	17.00	15.75	15.75	-1.50	-8.70	20.25	14.25	.47	.13 n	27.7	26.3	.00	.0
Pfizer Inc	PFE	68.25	61.75	62.75	-5.25	-7.72	72.88	43.75	3.44	.39 s	11.9	17.1	1.64	2.6
Robins, AH	QRAH	11.63	10.88	10.88	-.38	-3.33	15.63	6.88	2.53	20.85 s	NE	4.0	.00	.0
Rorer Group	ROR	47.50	39.50	43.25	3.13	7.79	47.50	32.50	1.72	5.00 s	240.4	6.1	1.12	2.6
Scherer RP Co	SCHC	20.25	19.00	19.38	-.63	-3.13	20.25	11.50	-1.23	-.66 q	NE	NE	.32	1.7
Scher Plough	SGP	86.13	74.75	75.00	-11.13	-12.92	88.00	45.13	3.77	.44 s	12.3	18.7	1.80	2.4
Squibb Corp	SQB	116.75	104.25	105.13	-11.13	-9.57	124.13	65.13	4.20	.86 s	22.3	22.3	2.00	1.9
Sterling Drug	STY	51.25	46.25	47.50	-3.25	-6.40	52.00	30.50	1.83	-.48 s	-19.6	24.1	1.32	2.8
Syntex Corp	SYN	71.13	60.00	61.88	-9.63	-13.46	74.75	30.56	4.65	3.31 n	160.7	11.5	1.60	2.6
Thompson Med	TM	13.75	12.50	13.50	-.13	-.92	21.00	11.75	1.18	-.44 s	-29.1	12.6	.40	3.0
Upjohn Co	UPJ	96.38	85.00	89.25	2.75	3.18	103.75	50.38	3.29	.93 s	34.4	24.6	1.52	1.7
Warner-Lambrt	WLA	60.25	56.00	56.88	-2.88	-4.81	63.13	33.75	-4.05	-6.15 s	-100.0	NE	1.56	2.7
Zenith Labs	ZEN	10.00	9.25	9.25	-.13	-1.33	18.31	8.00	.73	.42 s	135.5	12.7	.05	.5

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

Special report: Ethnic products

MERCHANDISING TRENDS

Ethnic hair care's success emboldens retailers

The success of the billion dollar ethnic hair care category is encouraging drug store and mass merchandise operators to expand their ethnic presentations into other specialty categories such as ethnic cosmetics and ethnic hosiery.

At the same time, retailers are expanding their basic ethnic hair care departments into more stores where there are high levels of black traffic and are doing more advertising and in-store promotions featuring ethnic lines.

In Chicago, Walgreens is advertising ethnic brands like Donnie's, Worlds of Curls, Dark & Lovely, Care Free Curl, Posner and Gentle Treatment in its circulars and its local newsprint ads. In Detroit, Perry Drug is doing monthly in-store shade and fashion promotions in select stores with heavy black traffic.

Retailers and ethnic distributors still say that hair care is the most important vehicle for courting black shoppers, but they add that the success of the ethnic hair care category has proven to them that there is an opportunity to lure black shoppers by stocking and highlighting other specialty categories, specifically ethnic cosmetics and ethnic hosiery.

Enormous opportunity seen

Drug stores currently have an approximate 30% share of the estimated $250 million ethnic cosmetic category, and retail and distributor sources say there is an enormous opportunity to build both share and dollars in that category aggressively.

As they did in ethnic hair care, Walgreens has already taken the lead by expanding its presentation of ethnic cosmetics. Sources say the chain has added ethnic sections to its cosmetics departments in about 600 stores, 250 of them planogramed.

Perry Drug is working on a program for improving its selection of ethnic cosmetic products. Sav-On on the West Coast has gone in a year from not having any ethnic cosmetics in their cosmetics department to having planograms of various sizes in nearly 50 stores.

Revco and Eckerd are also testing black cosmetics in their cosmetics departments whenever they have the space, and sources say that both chains now have black cosmetic sections in more than 500 stores. Pathmark, Pic 'N Save and Standard Drug of Virginia are also testing ethnic cosmetic sections, while chains like Eckerd, CVS and Revco are testing ethnic hosiery.

Even more dramatically, the mass merchandisers and food chains are starting to expand into these supplemental categories.

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K mart launches program

K mart, the nation's largest chain of mass merchandise stores, is currently implementing its first nationwide black cosmetics program.

This fall, K mart began putting ethnic cosmetics into more than 600 of its busiest stores in ethnic markets. The sections range from 2½ ft. featuring about 60 sku's to 7½ ft. featuring about 250 sku's.

K mart is merchandising the black cosmetics section just as it does general market cosmetics. All Posner brands are going into one section of the planogram in a family presentation. All Ultra Sheen brands are going into a section, and the Zuri line is supposed to be added soon in its own family grouping.

Right now, K mart is putting in a cosmetics section in all stores that have ethnic hair care sections of 10 ft. or more. However, sources say there are several hundred additional K marts with somewhat smaller overall ethnic departments that will also be candidates for the cosmetics program in 1987.

Using one distributor

To maintain inventory control and help identify slow-turning items, K mart is using one distributor, Standard Distributors of Detroit, to supply all but one of the lines in the section.

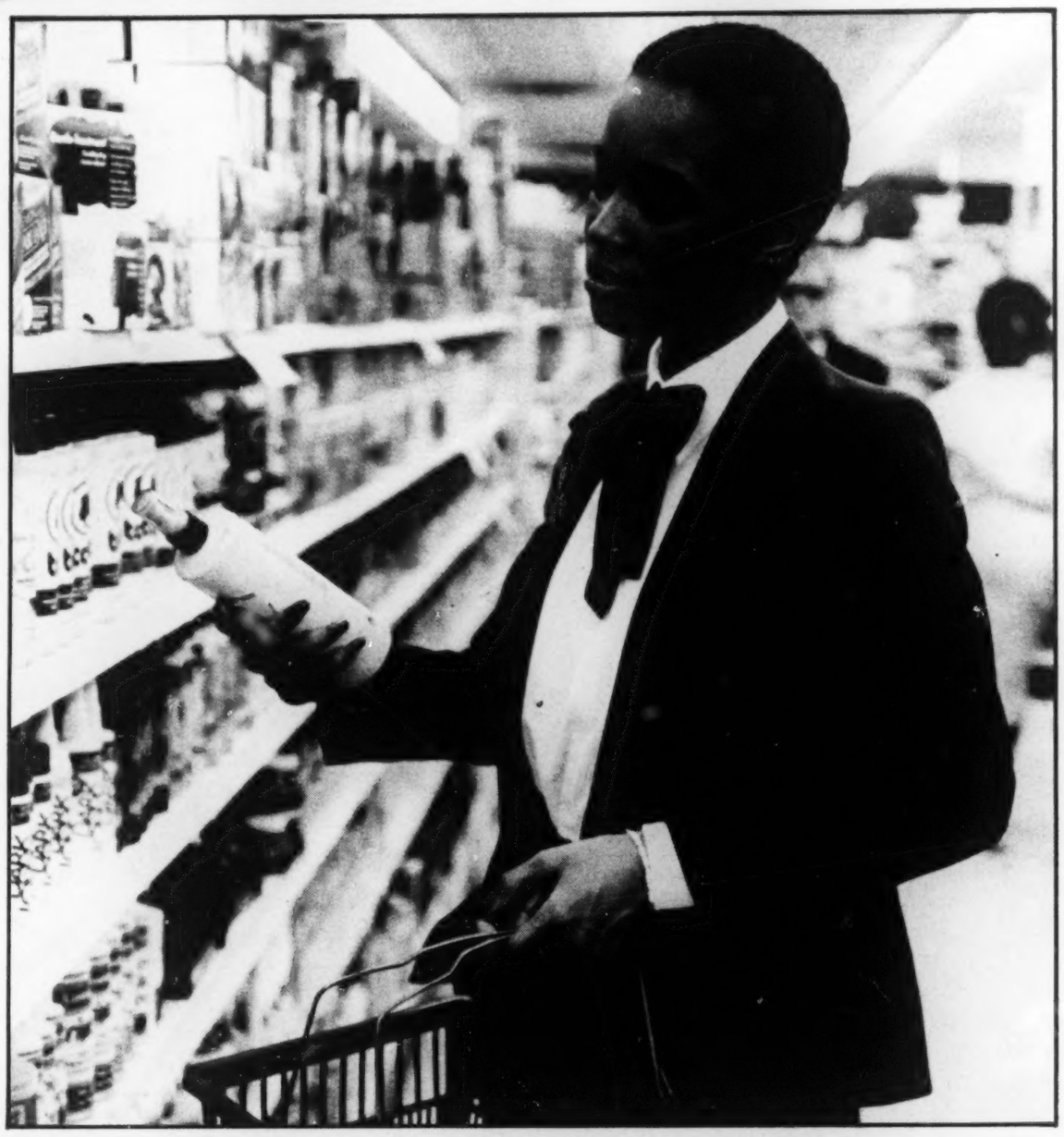
In turn, Standard has contracted with a series of brokers nationwide to service the K mart stores with ethnic cosmetics. The brokers will help in maintaining the department and in reordering.

In another system, each store will order through the main computer at K mart's headquarters in Troy, Mich., but that computer will direct the orders to Standard's computers, and the orders will then be shipped from Standard's warehouse.

"That way, except for their low-end line, which is being serviced from New Jersey, K mart will only have to deal with one supplier," said Standard's president, Mel Stringer.

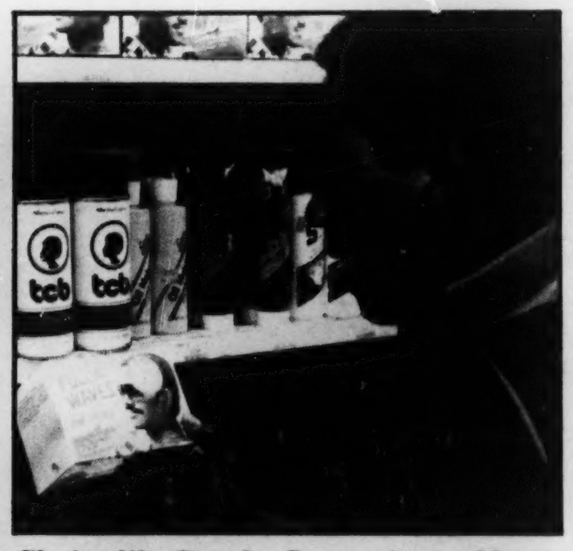
In addition to K mart, Zayre is starting to feature ethnic cosmetics in its tabloid ads, and Wal-Mart is said to be considering reworking its ethnic cosmetic program.

In the South, Winn Dixie, a major food chain, is also testing ethnic cosmetics in some of its cosmetics departments, and distributors say they believe more food chains will be going in this direction in 1987.



Today's black shopper is highly mobile. She's looking for stores convenient to her job and home, and for products to help her achieve a professional look.

Chains like Walgreens, Revco, Eckerd and Peoples are setting up displays of black cosmetics within their general market cosmetic sections. Buyers say that's where their customers expect to find cosmetics, not in the ethnic department itself.



Chains like Peoples Drug, pictured here, are beginning to give expanded space to hair styling and grooming products.

How black consumers spend their H&BA dollars

(1985 dollar volume in millions)

Category	Sales	% share of total
Hair care	$1,025	41%
Toilet preparations	575	23
Fragrances	325	13
Cosmetics	250	10
Dentifrices	200	8
Shaving preps	50	2
All others	75	3
Total	$2,500	100%

Source: Business Trends Analysts and AHBAI

MERCHANDISING TRENDS

Special report: Ethnic products

Drug stores aim to maintain lead in ethnic h&ba

Drug store retailers are gearing up to maintain their dominant share of the ethnic health and beauty aids category.

According to Business Trends Analysts, black consumers will spend more than $2.5 billion on H&BA products in 1986, and about half that volume will be spent on products designed specifically for the needs of black consumers, especially hair care, cosmetics and hosiery.

The latest developments on the retail scene:

- Liverpool, N.Y.-based Fay's is planning to enlarge its selection of ethnic products from 8 ft. to as much as 24 ft., according to Fay's president Dan Herrmann.
- Thrift, Walgreens and Peoples are wooing business in ancillary areas such as skin creams and makup.
- Revco is following Osco's lead of reaching black shoppers through a very effective medium—radio. Some chains (Pathmark, for example) are increasing the use of newspaper advertising and all chains are jumping onto bonus-pack offers being put together by vendors.
- When needed, chains are creating subsections within the ethnic category instead of, or in addition to, merchandising these items in with conventional market items.
- Chains such as Eckerd and Page are integrating at least a 4-ft. section into all units, even if there is under 10% black traffic.

These are just a few of the ploys drug stores are using to keep sales afloat. Last year, sales were up 12.5% to $200.8 million in chain outlets.

Salomon Brothers reports

The bulk of sales of ethnic products designed specifically for black users is still in hair care, an estimated $190 million market, according to a 1986 Salomon Brothers report on cosmetics and toiletries.

Salomon Brothers also reports that hair care is one of the fastest growing segments in the entire hair care category. Salomon estimates sales in this segment will be up about 27% in 1986, compared with an increase of 15% in 1985.

Many drug chain retailers are still relying on rack jobbers to help them get a handle on the right products to stock in this category, but a few, such as Walgreens, have started to buy direct.

Rich Robinson, who buys ethnic products for Walgreens, reports that direct buying insures Walgreens a better in-stock ratio for all their stores that carry the minimum 4-ft. ethnic hair care departments.

SupeRx also installs anywhere from 3-ft to 48-ft. sections in its stores, and McKesson is offering its members a choice of planograms ranging from 4 ft. to 16 ft.

Deep discounters' impact

Perhaps the most dramatic moves in the category are being accomplished by the nation's 300-plus deep discount stores, said Diana Warren at Judith Lynn, a major ethnic supplier.

Deep discounters are enjoying a surge in sales because customers are finding sharp prices on "the right items," said a spokesman for Jax, a Cleveland-based deep discounter. Jax sports a giant 43-ft. section.

Added Warren, "It has gotten to the point where if a retailer isn't carrying at least a 4-ft. section, they are missing out."

But, retailers ponder, when is the section at its peak? For Fay's Drug, the answer came as a surprise.

Fay's acquired a Genovese Drug store with a 24-ft. section, substantially larger than the 8-ft. Fay's stocks. "But we found our sales were much better in the bigger department, and we'll probably add to many of our stores," said Herrmann.

But bigger departments do not mean larger space for curl kits. Instead, there has been a shift toward stocking more sku's of "super" and "extra" formulas for coarser hair, from such manufacturers as Dark & Lovely, Lustre Curl and Pro-Line, said Chris Hayman, buyer for Standard Drugs in Richmond, Va.

Ethnic products: Estimated per year profits by category

(assuming 40% margin)

Annual Inventory Turns		
6	Black hair preps	$9.26
5	Face creams	$7.51
4	Hair coloring	$6.43
5	Hand lotions	$6.39
6	Men's hair preps	$6.00
8	Deodorants	$5.38
5	Shampoo	$4.78
5	Conditioners	$4.61
6	Hair spray	$4.35
8	Shave creams	$4.20
8	Dentifrice	$3.68

Source: A. C. Nielsen

Maintenance items hot

For many, the curl kit sku's are just sitting on the shelves. However, curl maintenance items are still hot, Hayman added. Because of that, Hayman is shifting more of his dollars into maintenance items and especially into gels in his 4-ft. to 24-ft. sections.

Kent Humphreys of Jack's Service, an Oklahoma-based distributor, agrees. "The gels are coming, and they are the hottest items around. People like gels."

Relaxers are also holding on, said Humphreys. Relaxers from Vigorol and Carson were selected by retailers as being particularly strong. Bonus packs of relaxers are flying out of the stores because they represent value, buyers say.

These are all hair care items retailers hope will pick up the slack left by the weakening of curl kits. But many are not relying on hair items alone. Instead, they are moving aggressively into other areas such as cosmetics and skin creams, where margins still hover around 40%.

"We've gone after the cosmetics business with 66 of our stores having a full ethnic cosmetics program," said Judy Wincze, buyer for Peoples.

Based on Peoples' overwhelming success with black hair care, the chain decided to charge full steam into cosmetics two years ago. Caucasian sku's were cut in some stores to clear space for a mix including Honey 'n Spice, Zuri and Posner and Ultra Sheen. The stores still give over 2 ft.-8 ft. to ethnic cosmetics. Undaunted by initial problems, Wincze is determined to put a spark in the business.

Need for specific products

Industry experts tend to agree there is a need for specific skin care products. Thus, Thrift Drug will try out a new line, Venus Di Milo, for the U.S. market. Venus Di Milo executives hope to build off the strong following the brand already has in Africa to generate interest in this country.

Chains such as Walgreens have found skin care moves faster when merchandised with nonethnic items. But a new thinking is emerging, said Warren of Judith Lynn. "People are finding that a large ethnic department can accommodate a subsection of skin care or hair color."

Hair coloring is another area receiving greater attention on the nation's retail shelves. Propelled by new offerings such as Carson Products' new colors, Clairol's Color Play and Soft Sheen's Color Accents, hair coloring is expected to reap the highest sales gains of any category in the department in 1986.

But competitors are already nipping at the drug chains' heels, especially in the hair color arena.

Gemco, a Buena Vista, Calif.-based discounter, for example, is reaping huge sales increases in color. "Our hair business is tripling—even quadrupling," said buyer Doug Havey.

Chains including Zayre, Howard Brothers, Wal-Mart and K mart have already installed hair color planograms as part of efforts to lure black shoppers.

Narrowing the gap

Supermarkets as well as discounters are working feverishly to narrow the gap in sales. Food units have grabbed 28% of the business by serving up well-stocked departments such as the 8-ft. section found in one northern New Jersey Pathmark.

But discounters, who now garner 18% of dollar sales, are making the greatest strides, say suppliers. These aggressive stores are beating drug chains in space allocations. Zayre, for example, has some departments as large as 50 ft.

These stores are promoting the category, too. Zayre recently took part in Black History Month and sent out brochures to stores with details about endcaps and displays to be set up in the stores. Zayre sent merchandise to all of its stores so it could cover a national ad touting ethnic goods. Jamesway and Target are both using endcap space to prove to black shoppers that they can find the right items under their roofs.

Concluded one discount store buyer, "We like the margins, and we're not afraid to go after this business in a big way."

Both retailers and manufacturers say that product demonstrations in a store setting really help to boost sales of ethnic skin and hair care items. Here Posner Labs does a demonstration on its new Relax 'n Roll in a Newark, N.J., Woolworth.

Special report: Ethnic products

MERCHANDISING TRENDS

Chains kick off black cosmetic depts.; manufacturers play up brand promos

In 1986, total sales of cosmetics made specifically for dark-skinned consumers should increase approximately 15% to about $250 million.

According to manufacturers who track the category, some of the most dramatic growth will come from sales to mass market retail outlets: drug, mass merchandise, food and variety stores and barber and beauty shops.

Today, mass market stores have about a 50% share of the total black cosmetics business, but in 1986, mass market retailers like K mart, Walgreens and Perry Drug began to increase their penetration into this category segment, while manufacturers of the mass market cosmetics began to increase promotional activities.

The result is that the three major mass market manufacturers of black cosmetics, Posner, Ultra Sheen and Zuri, are beginning to increase their brand awareness among their targeted consumers. Mass market stores are beginning to see shoppers requesting the Posner line of lip and nail shades or the Ultra Sheen pressed powders or the Zuri foundation creams.

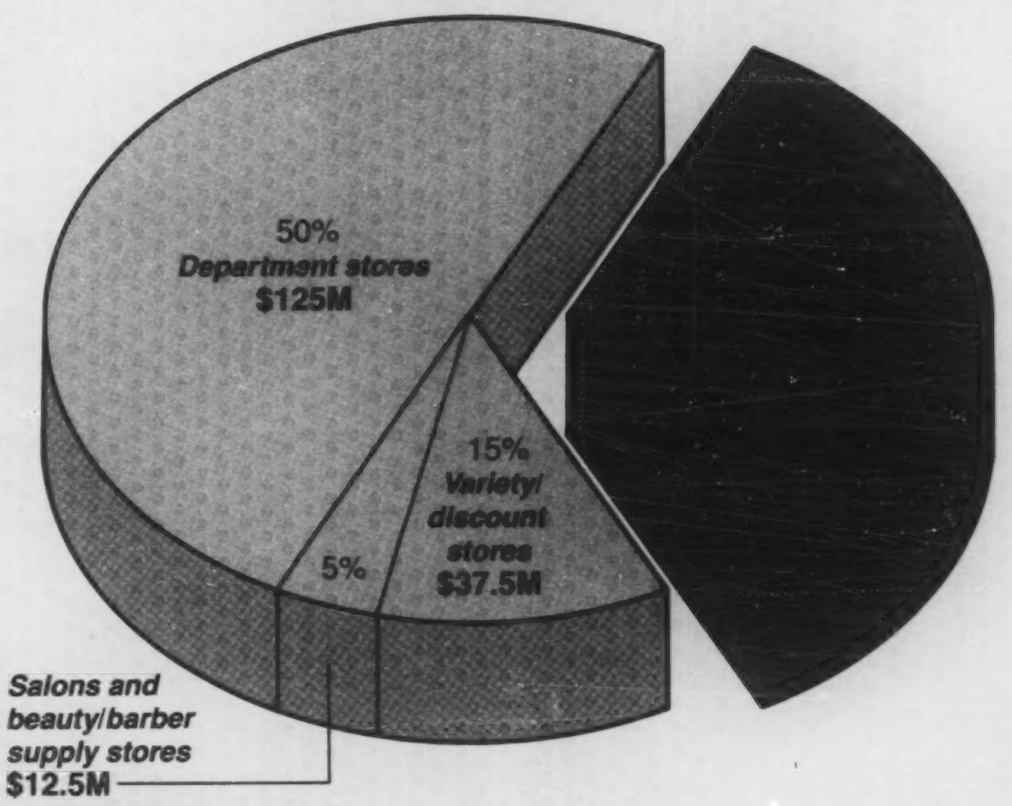
Today, many mass market chains are featuring black cosmetics in the pegged sections of their cosmetic departments instead of restricting them to a limited selection inside their overall ethnic hair care departments.

Ads spur demand

More chains are working with the manufacturers to bring in more counter displays and promotional prepacks. They're also working together on more advertised fashion promotions.

Black consumer purchases of ethnic cosmetics*

(Total: $250 million)



*Cosmetics products specifically positioned for black consumers.
Source: Posner Laboratories

Fashion Fair, owned by Johnson Publishing in Chicago, started the trend by proving that there is a demand for black cosmetics. Their ads, which run every issue in Johnson's *Ebony* and *Jet* magazines, have sparked a demand for black cosmetics that is spilling over into the mass market retail outlets.

"Fashion Fair and Flori Roberts are primarily available in department stores," said Mel Stringer, president of Standard Distributors in Detroit. "Department stores just aren't that convenient for many black shoppers.

"As a result, the drug store operators and the K marts are getting hundreds of requests for these brands, and they can't supply them. But Posner, Ultra Sheen, Zuri, they're all doing consumer advertising now, and they're all expanding their lines and adding new shades. They've all got quality products at good prices, and all

Fashion editors say that today's black woman is searching for a "pretty, clear, easy look." They see the trend as toward a more natural, "this is me" look.
Photo courtesy of Grey Kent

that is making them grow in demand with consumers."

For the past two to three years, Posner, Zuri and Ultra Sheen have also been running ads in the major black consumer publications like *Ebony* and *Essence*.

Shades promoted

In addition, Posner and Ultra Sheen are now doing shade and fashion promotions just as the general market cosmetic manufacturers do.

Last year, Walgreens ran full-page ads in local Chicago newspapers featuring Posner's fall Fire Fox color promotion. Sell-throughs, sources say, were exceptionally good. Posner's president, Betty Jarrett, reports there were virtually no returns on the Fire Fox prepacks. "Normally," she

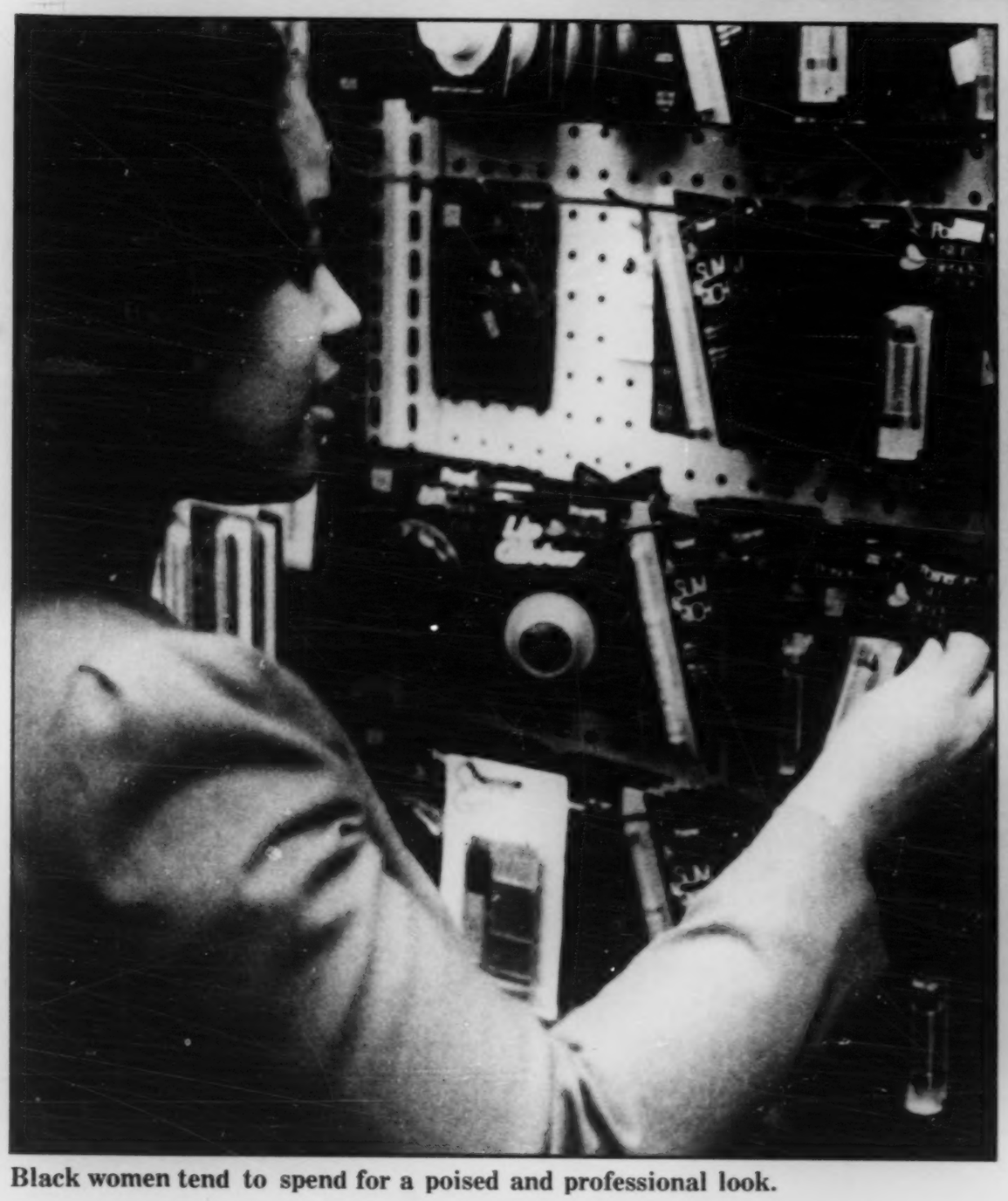
Continued on page 38

Sales of black cosmetics are booming as sophisticated consumers look for shades that flatter their specific skin tones. The model here was made up by Phillippe and photographed by Norman Thomas.
Photo courtesy of *Sophisticate's* Black Hair

Retailers say a black hair care clinic or a makeup demonstration generates more sales activity than any other promotions. Clinics are usually sponsored by the manufacturer and promoted both on radio and in local newspaper ads.

MERCHANDISING TRENDS

Special report: Ethnic products



Black women tend to spend for a poised and professional look.

Black women are searching for foundations and powders that are right for their specific skin tones. They are also eager to find treatment products that will keep their skin healthy and youthful looking.

Photo courtesy of Richard Allen

Colors splash and glitter in ethnic cosmetic ads

Continued from page 37

said, "I would have expected at least a 10% return, but Fire Fox was a total success."

This September, Posner broke a similar fashion promotion, Wild Huntress, featuring six fall/winter shades for lip and nail.

Posner is advertising the Wild Huntress line in magazines like *Essence*, and the same photo that appears in the magazine ads will also appear as the header card on the prepacks that have been shipped into the stores.

In the spring of 1987, Posner will do Hot 'n' Cool promotion. Posner says this fashion statement reflects what's happening with rock stars. In this promotion, Posner matches warm colors like burnt orange and blackberry or raspberry shades for lips with light, cool colors like champagne and silver moon for nails.

Creating consumer interest

Zuri, owned by J. Strickland Co., started doing institutional advertising in 1984. Last year, they played up to the black business woman with a fashion campaign called Designs in Ambition. This year, they're doing a fashion theme called Legacy of Beauty.

Their ads break each spring and run at least once a month through the rest of the year in at least one of the major black magazines. At key times like holidays or peak fall and spring months, they run ads in several magazines simultaneously.

Like Posner, Zuri will also do in-store demonstrations. Both companies will also put on seminars to help educate store personnel about black cosmetics.

Ultra Sheen began doing shade and gift promotions back in 1984 and will do four this year and in 1987.

Ultra Sheen's Christmas promotion is called Precious Metallics. Prepacks will feature glittery party colors for lips and nails, plus a bronze all-over body blush with glitter highlights.

The header on the prepack will feature a gold handbag against a black background with golden, glittery lipsticks and nail polishes spilling out.

Precious Metallics will be followed in 1987 with a spring promotion, a fashion promotion and holiday shade and gift promotions.

Ultra Sheen is also advertising its foundation and color lines in major magazines such as *Essence* and *Ebony*.

The new ads play up Ultra Sheen's expanded shades for its lip, nail and eye collections.

Guide to cosmetics for the black consumer

Category		
Lipstick	Uneven liptone/discoloration	Ethnic lipsticks are formulated with more pigment to provide better and denser coverage on lips. Only pigments which are "color true" can be used, unlike general market lipsticks which can turn ashy (gray) on lips.
	Susceptible to chapped lips	Moisturizing and protection is of increased concern to the ethnic market. Lipsticks are formulated with increased emolliency to counteract the problems.
	Shade range	The ethnic market has a preference for darker shades which are more flattering, such as deep plums, reds, wines and dark browns.
Liquid makeup	Wider skin shade range	There are an estimated 32 shades of black skin (vs. 12 shades of white skin). The black woman needs a wider variety of liquid makeup shades to choose from.
	Skin undertones	White skin is determined by the degree of pinkness in the undertone, while black skin is determined by the degree of yellow, blue, red and black undertones. Because of the greater variety of undertones, black skin reacts differently to shades than does white skin. A shade that remains true on white skin, may turn ashy or orange on black skin. Liquid makeup is only effective for the ethnic segment if it is formulated with pigments compatible with black skin undertones. For example, superior ethnic cosmetics make judicious use of titanium dioxide—a major ingredient in general market cosmetics—which can produce an unattractive ashy effect on black skin.
Pressed powder	Wider skin shade range	Face powder shows up more dramatically on dark skin than on light skin, ethnic powder effects must be more sheer. Heavier general market powders may produce a cakey, orange effect. In addition, ethnic powders are formulated with less oil to be more acceptable to black consumers.
Eyeshadow	Concern for long lasting wear	Black skin may be slightly oilier around the eye area than white skin. Ethnic eyeshadow is formulated with less oil to prolong wear.
	Shade preferences	The ethnic market prefers opaque earth tones which are compatible with darker skin.
Mascara	Shorter, more coarse eyelashes	Ethnic mascara is formulated to thicken and build short, coarse lashes, unlike general market products which may concentrate on smudge-resistance or waterproof claims.

Source: Posner Laboratories Inc.

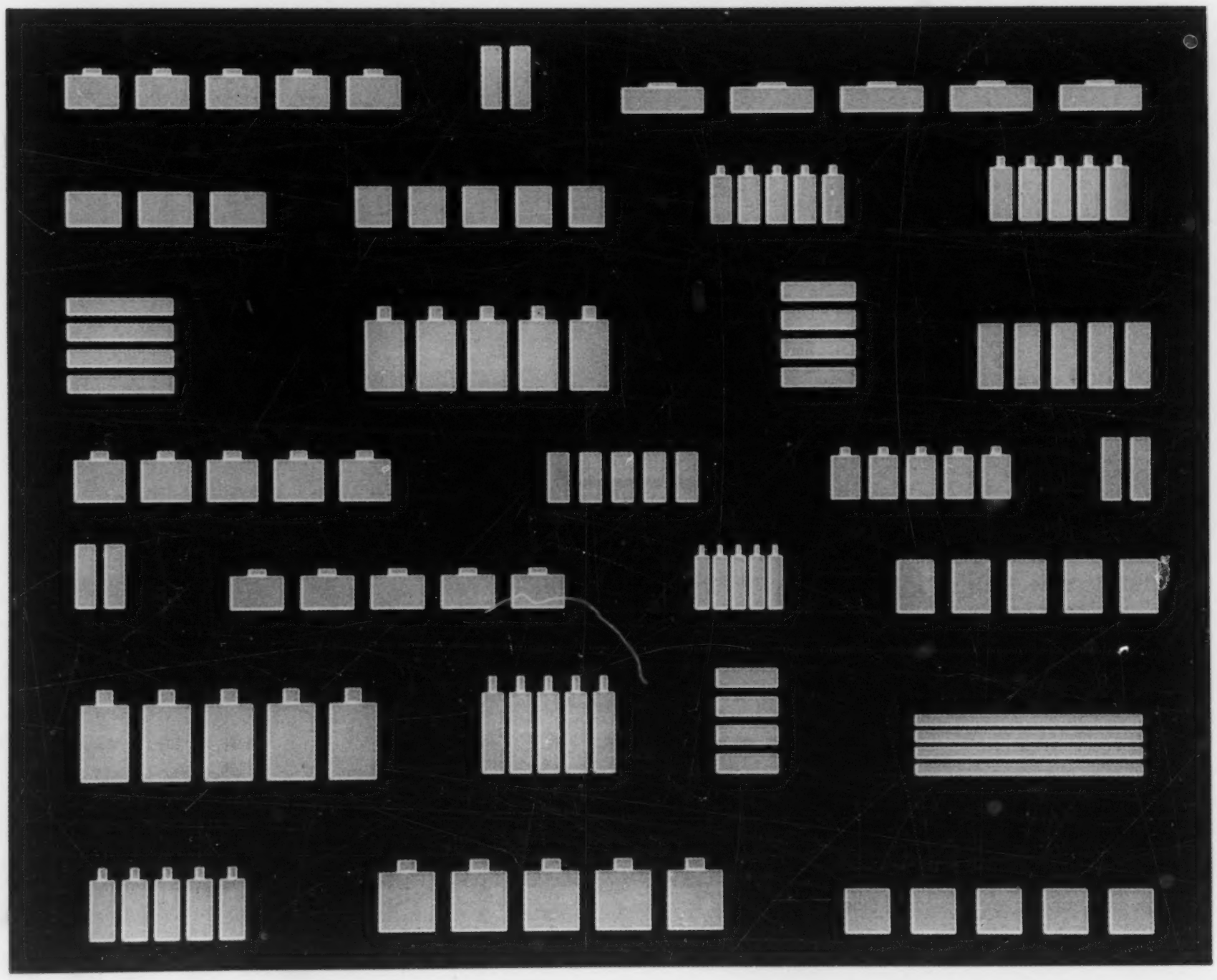
Nation's top 100 drug store markets

Rank	Area	Drug store sales (000)	Total retail sales (000)	Effective buying income (000)	Households (000)	Population (000)
1	Chicago	$ 1,782,885	$35,627,510	$81,641,854	2,238.0	6,127.1
2	Los Angeles Long Beach	1,710,931	50,985,808	103,058,676	2,963.5	8,091.4
3	New York	1,437,093	41,389,635	108,623,082	3,349.7	8,431.8
4	Detroit	1,309,267	26,266,849	54,066,452	1,581.6	4,361.0
5	Philadelphia	951,167	28,393,700	59,290,349	1,756.2	4,807.8
6	Boston Lawrence Salem Lowell Brockton	919,625	27,703,685	53,598,409	1,373.2	3,703.1
7	Washington	899,702	25,219,988	56,708,739	1,291.8	3,492.5
8	Houston	616,406	25,219,988	42,698,869	1,168.8	3,211.0
9	Cleveland	595,740	12,133,621	22,986,935	715.2	1,873.4
10	Nassau Suffolk	555,344	19,423,148	42,362,957	873.6	2,701.0
11	Miami Hialeah	552,013	12,875,757	20,317,285	665.3	1,771.6
12	Atlanta	507,443	17,418,814	31,304,372	902.7	2,460.7
13	Oakland	497,799	12,671,975	28,345,176	736.1	1,903.2
14	Baltimore	489,890	13,681,848	27,124,595	827.9	2,291.9
15	Phoenix	489,256	11,710,860	21,989,680	719.1	1,841.1
16	Anaheim Santa Ana	454,459	15,353,829	31,573,345	755.0	2,214.0
17	San Francisco	434,680	13,680,421	26,444,917	655.6	1,556.0
18	St. Louis	424,269	15,395,910	29,752,563	873.7	2,416.7
19	San Diego	408,337	13,191,301	28,842,528	786.5	2,140.9
20	Dallas	400,276	16,361,030	31,808,658	858.1	2,296.0
21	Minneapolis St. Paul	395,895	16,197,101	31,738,802	843.6	2,254.5
22	Seattle	391,765	11,402,950	24,534,691	686.2	1,719.7
23	Pittsburgh	383,362	11,695,825	25,343,955	846.2	2,180.6
24	San Jose	368,773	10,047,766	21,436,862	488.2	1,393.3
25	Tampa St. Petersburg Clearwater	361,517	11,518,721	21,929,640	786.6	1,870.0
26	Cincinnati	345,848	8,521,003	16,733,802	521.8	1,405.7
27	Sacramento	344,829	8,088,460	16,056,007	493.2	1,266.4
28	Indianapolis	343,870	8,092,281	14,447,461	443.7	1,208.6
29	New Orleans	342,449	7,890,826	14,250,176	493.6	1,348.7
30	Newark	339,140	11,219,194	27,973,971	676.9	1,880.9
31	Riverside San Bernardino	330,071	10,331,501	21,934,257	685.1	1,896.4
32	Honolulu	307,406	5,017,488	10,194,917	256.4	828.2
33	Kansas City	295,513	10,495,141	19,831,816	561.3	1,497.5
34	Bergen Passaic	294,094	10,080,540	20,712,344	476.7	1,293.4
35	Fort Lauderdale Hollywood Pompano Beach	291,460	8,663,577	16,237,183	492.0	1,159.1
36	Milwaukee	264,809	7,840,190	17,626,161	527.7	1,401.0
37	Denver	257,994	11,463,764	22,874,225	656.8	1,635.1
38	Columbus, Ohio	254,329	8,071,989	15,097,445	488.9	1,288.9
39	Hartford New Britain Middletown Bristol	252,267	7,439,951	15,535,093	394.1	1,075.4
40	Buffalo	246,360	5,140,729	11,142,465	361.0	982.7
41	Louisville	238,182	5,500,056	10,789,342	356.2	971.0
42	Memphis	228,534	6,100,527	9,455,527	332.1	932.8
43	Rochester, NY	227,471	5,556,505	12,983,066	366.1	1,001.1
44	Providence Pawtucket	212,531	5,079,236	10,563,394	323.2	885.2
45	Charlotte Gastonia Rock Hill	199,331	6,611,375	11,727,909	387.6	1,049.0
46	West Palm Beach, Boca Raton, Delray Beach	195,774	5,436,353	10,851,533	311.9	730.5
47	Richmond Petersburg	195,732	5,170,421	9,784,698	289.9	813.0
48	Gary Hammond	194,316	3,683,978	6,627,958	219.4	643.1
49	Norfolk Virginia Beach Newport News	192,012	7,359,139	14,159,756	432.1	1,288.4
50	Toledo	190,896	4,436,876	7,242,616	229.7	617.9
51	Albany Schenectady Troy	180,653	4,997,866	10,529,873	320.8	861.3
52	Birmingham	178,597	4,491,199	9,316,427	346.4	922.1
53	Jacksonville, Fla.	175,226	4,799,099	9,111,850	308.5	817.6
54	Fort Worth Arlington	174,774	7,687,309	15,100,721	431.7	1,175.5
55	Greensboro Winston Salem High Point	174,563	5,478,379	10,205,304	341.8	902.1
56	Nashville	171,147	5,686,318	10,564,098	336.8	910.7
57	Dayton Springfield	169,381	5,393,776	11,157,848	353.2	927.5
58	Middlesex Somerset Hunterdon	164,983	6,411,582	14,317,913	326.5	934.3
59	Monmouth Ocean	161,636	5,996,481	13,875,891	354.1	946.2
60	Las Vegas	157,995	4,102,066	6,590,562	223.6	554.2
61	Syracuse	155,774	3,536,188	8,023,609	237.4	663.5
62	Fresno	151,982	3,071,465	6,632,413	207.2	578.8
63	Bridgeport Stamford Norwalk Danbury	149,677	6,593,688	14,839,344	292.5	802.2
64	Scranton Wilkes Barre	149,649	3,711,056	7,326,080	279.0	735.6
65	Raleigh Durham	148,362	3,973,862	7,749,780	238.3	632.9
66	Worcester Fitchburg Leominster	147,949	3,905,423	8,313,188	241.8	662.9
67	Orlando	144,616	6,112,833	9,981,357	324.8	864.1
68	Tucson	142,922	3,305,023	6,595,885	253.0	634.6
69	Oklahoma City	140,501	7,497,305	11,736,769	377.7	984.4
70	Akron	136,851	3,676,403	7,398,194	241.4	648.4
71	New Haven Waterbury Meriden	135,895	4,949,886	11,002,198	284.9	773.5
72	Salt Lake City Ogden	129,412	5,178,783	10,035,151	336.3	1,044.2
73	Springfield, Mass.	126,836	3,785,230	6,637,123	213.3	586.1
74	Knoxville	124,265	4,163,316	6,097,300	229.9	599.0
75	Lake County, Ill.	120,858	2,875,529	7,232,102	156.6	472.6
76	San Antonio	120,117	6,723,486	12,546,804	406.4	1,209.2
77	Flint	117,678	2,775,821	4,802,031	158.5	440.0
78	Omaha	114,369	3,837,235	8,129,004	228.3	612.4
79	Harrisburg Lebanon Carlisle	114,002	3,805,955	6,991,737	220.7	578.8
80	Oxnard Ventura	113,259	3,229,516	8,157,543	200.5	609.0
81	Mobile	112,746	2,524,239	4,691,504	170.1	473.8
82	Portland, Ore.	111,177	7,441,991	13,932,168	450.8	1,149.3
83	Melbourne Titusville Palm Bay	109,504	1,991,127	3,849,764	138.7	344.9
84	Wilmington, Del.	108,958	3,456,960	7,074,002	192.6	542.1
85	Allentown Bethlehem	108,680	3,798,938	7,973,465	249.9	656.8
86	Greenville Spartanburg	108,339	3,454,645	5,850,765	226.1	609.1
87	Santa Rosa Petaluma	102,012	2,004,455	4,749,039	134.5	340.4
88	Youngstown Warren	101,761	2,786,870	5,812,759	190.4	516.2
89	Stockton	101,380	2,142,068	4,524,739	149.9	406.9
90	Santa Barbara Santa Maria Lompoc	100,189	2,780,868	4,620,091	124.7	330.6
91	Vallejo Fairfield Napa	99,462	1,977,710	4,806,271	135.7	381.4
92	Grand Rapids	97,265	3,979,479	7,788,549	226.2	633.1
93	Anchorage	96,626	2,596,640	3,792,676	87.4	237.1
94	New Bedford Fall Fiver Attleboro	92,906	3,399,546	5,321,074	179.5	492.9
95	Baton Rouge	92,454	3,150,863	5,902,844	191.5	554.1
96	Bakersfield	90,703	2,676,721	5,465,373	169.5	475.8
97	Jersey City	88,276	2,605,408	6,149,669	212.7	552.9
98	Modesto	87,652	1,700,566	3,193,520	107.7	306.1
99	Fort Wayne	86,226	2,110,924	3,989,568	128.5	357.3
100	Aurora Elgin	86,078	1,686,566	4,516,473	121.9	349.2
	Total	30,279,345				

Source: Sales and Marketing Management, 1986 Survey of Buying Power Part I, July 28, 1986 issue.

1986

NIELSEN REVIEW OF RETAIL DRUG STORE TRENDS



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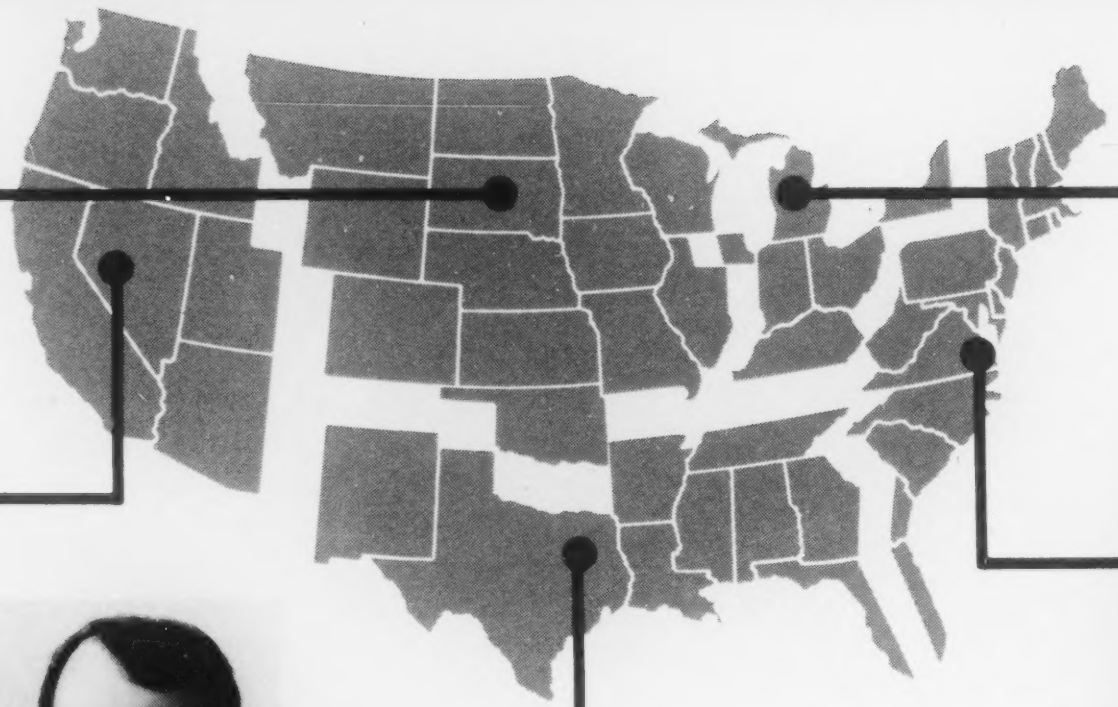
DRUG STORE NEWS®

NOW WITH TWO OFFICES TO BETTER SERVE THE RETAIL COMMUNITY

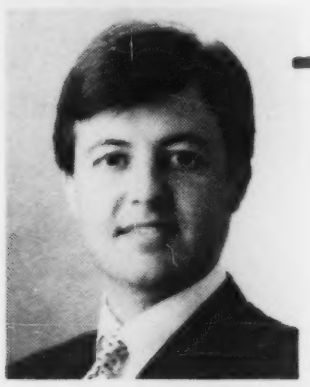
Responding to the rapidly changing data needs of today's retailers and wholesalers, Nielsen Marketing Research has been expanding the capabilities of its Trade Services Department. A priority objective of this department is to develop services for the trade that combine pertinent Nielsen information with support from staff professionals. The servicing group is composed of executives with experience in HBA retailing, packaged goods sales, Nielsen client service, new product testing and management information system sales and service.

We would like to introduce you to our service executives.

Lucia Oddo



Bob Beilman



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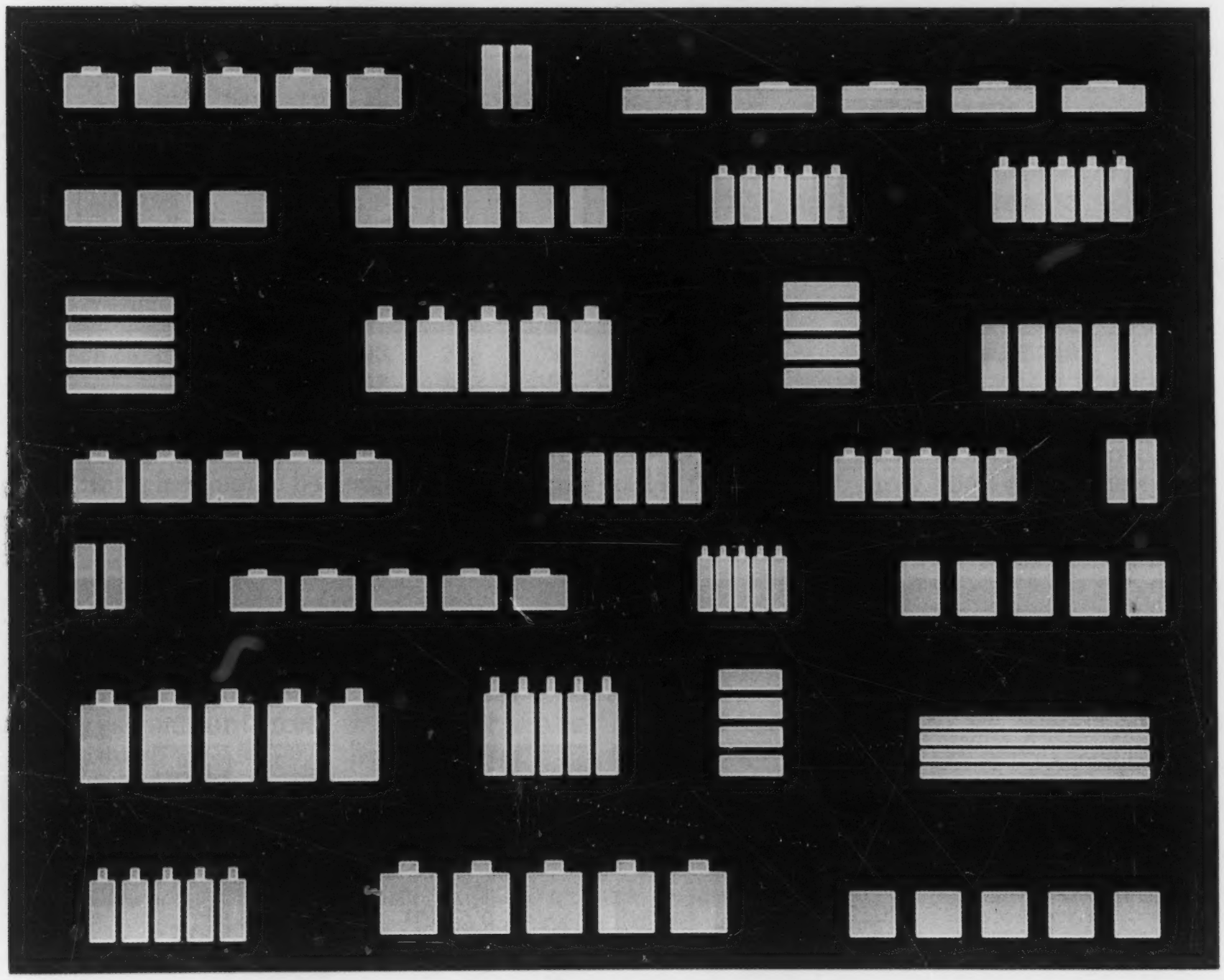
INTRODUCTION

1986 Nielsen Review of Retail Drug Store Trends



Retail drug store sales increased 9% in 1985 and have grown at the rate of 7% during the first half of 1986.

The information compiled by Nielsen Marketing Research and presented in this publication also shows that:

- Total U.S. retail sales "real" growth is getting a boost as consumer income is increasing and price inflation is moderating.
- Drug chain sales growth (+7%) has slowed somewhat in 1986 while independent growth (+7%) has maintained its steady rate of increase.
- HBA sales on both a dollar and unit basis have been picking up, particularly in food and drug outlets.
- There is evidence of drug store HBA inventory adjustment within the remedial categories as the effects of early 1986 product tampering are felt in the distribution system.

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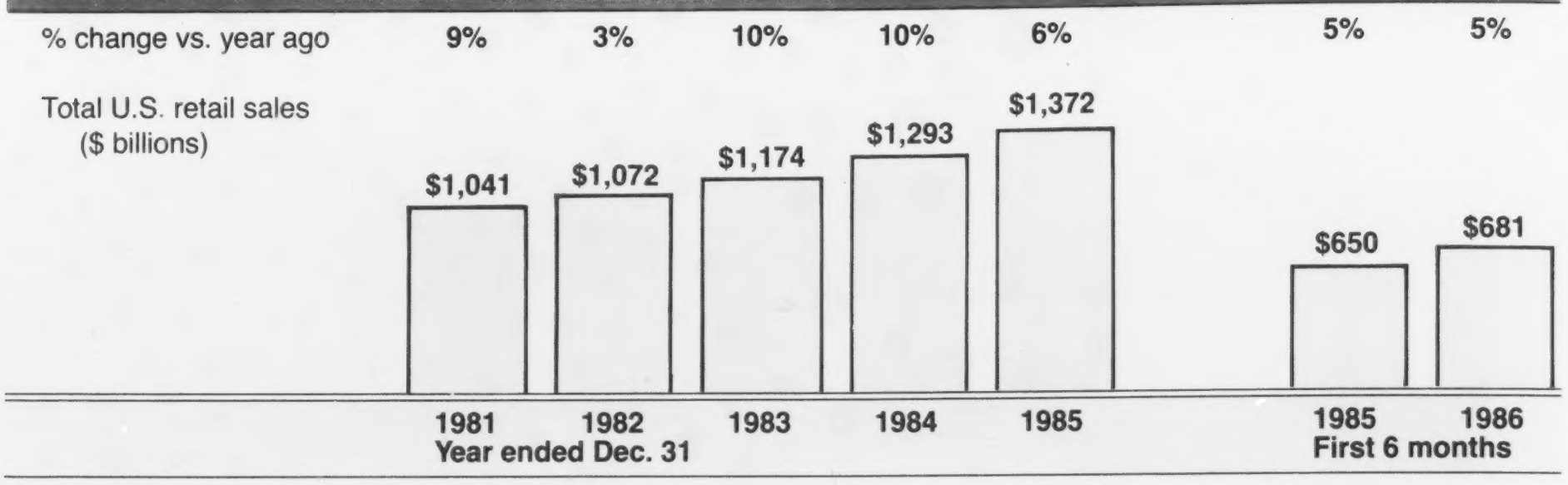
Nielsen Marketing Research would like to thank the staff of *Drug Store News* for their advice in assembling this review and including it in their Sept. 29, 1986 issue.

Chapter I: The Economic Environment

U.S. Retail Sales — Chart 1

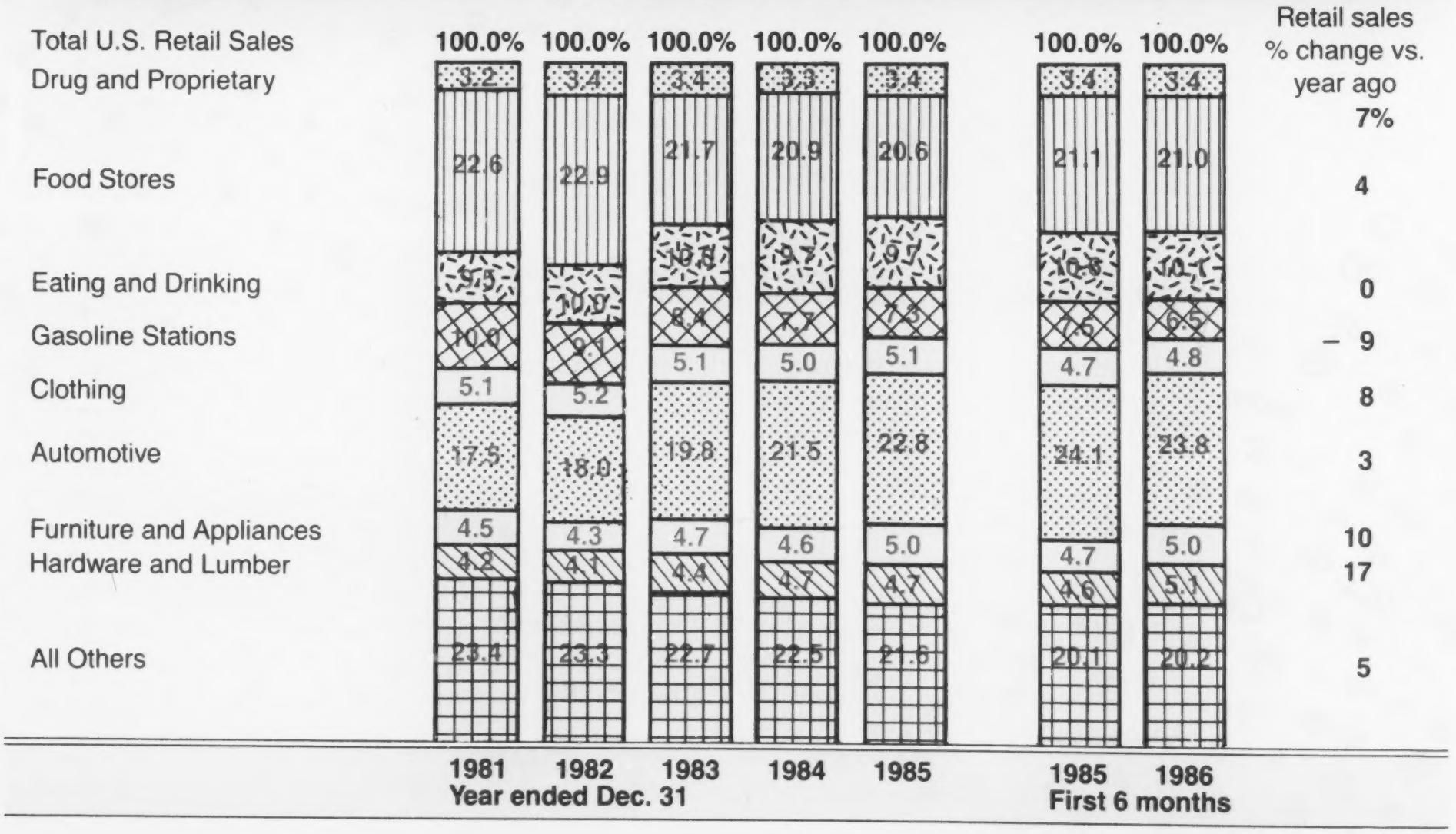


Source: Bureau of The Census (Revised 1985)

Total U.S. retail sales approached the $1.4 trillion dollar mark in 1985, a 6% gain over the previous year. During the first six months of 1986, sales have been growing at a 5% rate.

The rate of "real" growth during the first half of 1986 has increased to 3%. Continued growth of disposable income along with a moderation in consumer price inflation, slowing to almost a standstill at 2%, have helped to fuel real growth in the retail sector.

Division of U.S. Retail Sales — Chart 2



Source: Bureau of The Census (Revised 1985)

Drug stores accounted for 3.4% of Total U.S. retail sales both in 1985 and in the first half of 1986.

Durable goods sales, particularly hardware and lumber (+17%) and furniture and appliances (+10%) are the fastest growing retail areas. Consumer spending in these retail segments is being stimulated by growth in the new housing and construction markets.

Gasoline station spending has dropped 9% during the first half of 1986 as decreased oil prices were passed on to the consumer.

Consumer Price Index* — Chart 3

							% Change First 6 months 1986 vs. 1985
% change vs. year ago	10%	6%	3%	4%	4%		
Total all items	272	289	298	311	322	327	2%
Medical care	295	329	357	379	403	418	5
Prescription drugs	173	193	214	234	257	273	9
Over-the-counter drugs	211	234	252	267	282	293	5
Physicians services	299	327	352	377	399	420	7
Dental services	263	284	303	327	348	362	6
Hospital room	481	557	620	671	710	741	5
Personal care	232	250	261	271	282	290	4
Food-at-home	270	279	282	293	297	302	2
Food-away-from-home	291	307	320	333	347	340	−1
Housing	293	315	323	337	350	358	4
Clothing	187	192	196	200	206	206	1
Transportation	280	292	298	312	320	312	−2
Entertainment	221	236	246	255	265	272	4
	1981	1982	1983	1984	1985	1986	
	Year ended Dec. 31					First 6 months	

*All Urban Consumers, Annual Average, Base year 1967 = 100

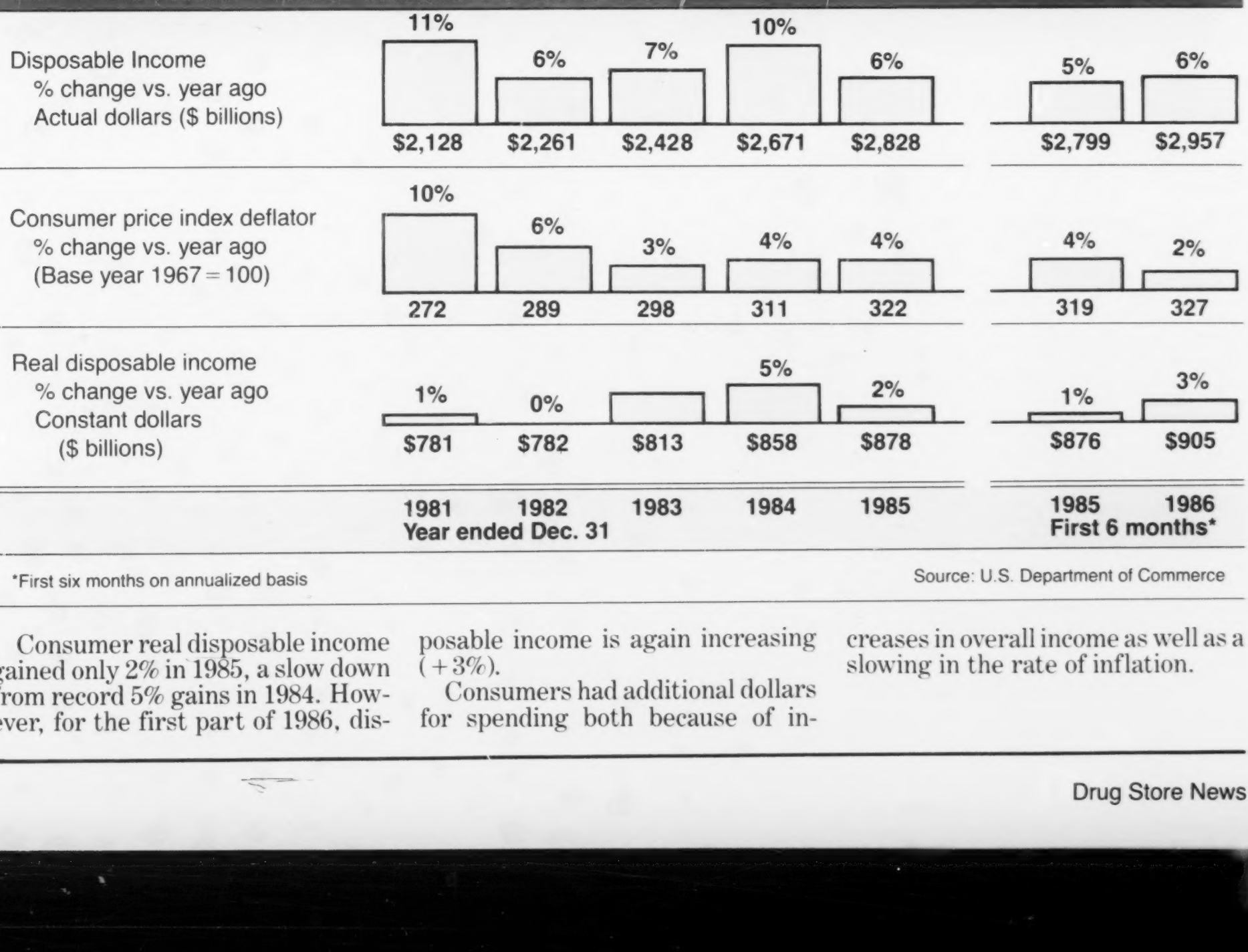
Source: U.S. Department of Labor

Price inflation held again at only 4% in 1985 and is only 2% above last year for the first part of 1986.

The largest current price increases continued to be found in the medical care area, particularly prescription drugs (+9%), physicians services (+7%), and dental services (+6%). Over-the-counter drug prices had increased by 5% during the first half of 1986.

Food away from home prices (−1%) and transportation costs (−2%) are actually declining from year ago levels.

Real Disposable Income Trends — Chart 4



*First six months on annualized basis

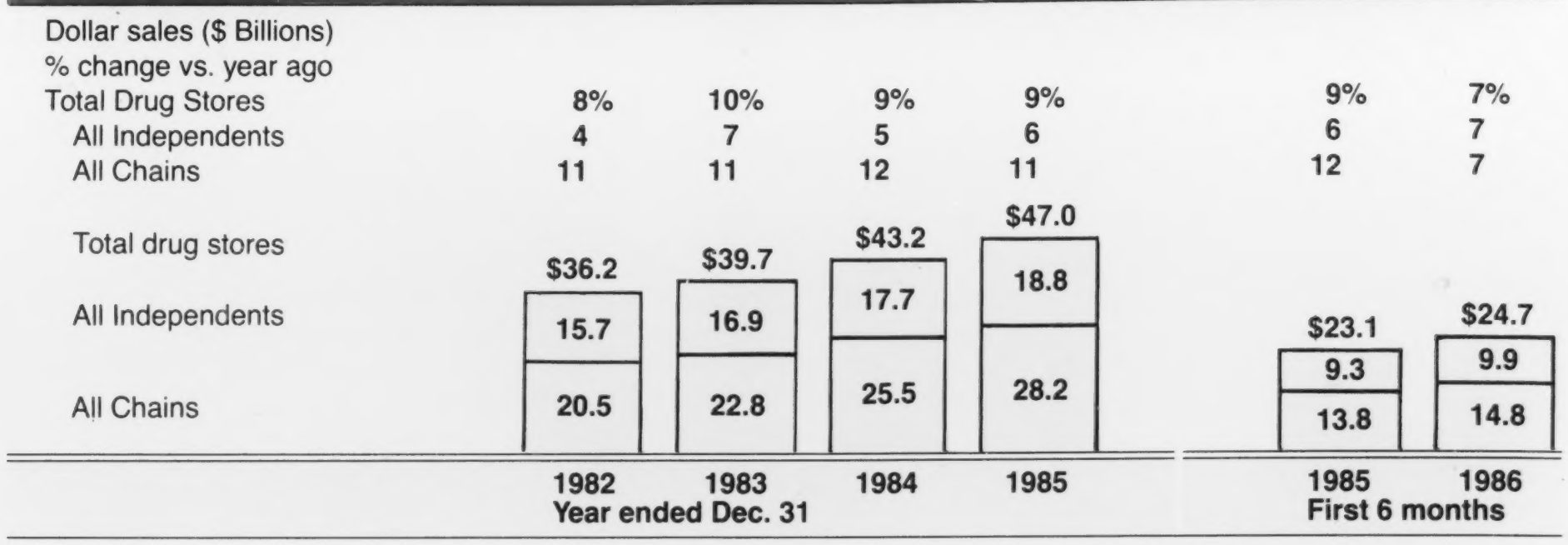
Source: U.S. Department of Commerce

Consumer real disposable income gained only 2% in 1985, a slow down from record 5% gains in 1984. However, for the first part of 1986, disposable income is again increasing (+3%).

Consumers had additional dollars for spending both because of increases in overall income as well as a slowing in the rate of inflation.

Chapter II: Retail Drug Store Sales

U.S. Retail Drug Store Sales *Chains vs. Independents* — Chart 5



Source: Nielsen Marketing Research Estimates

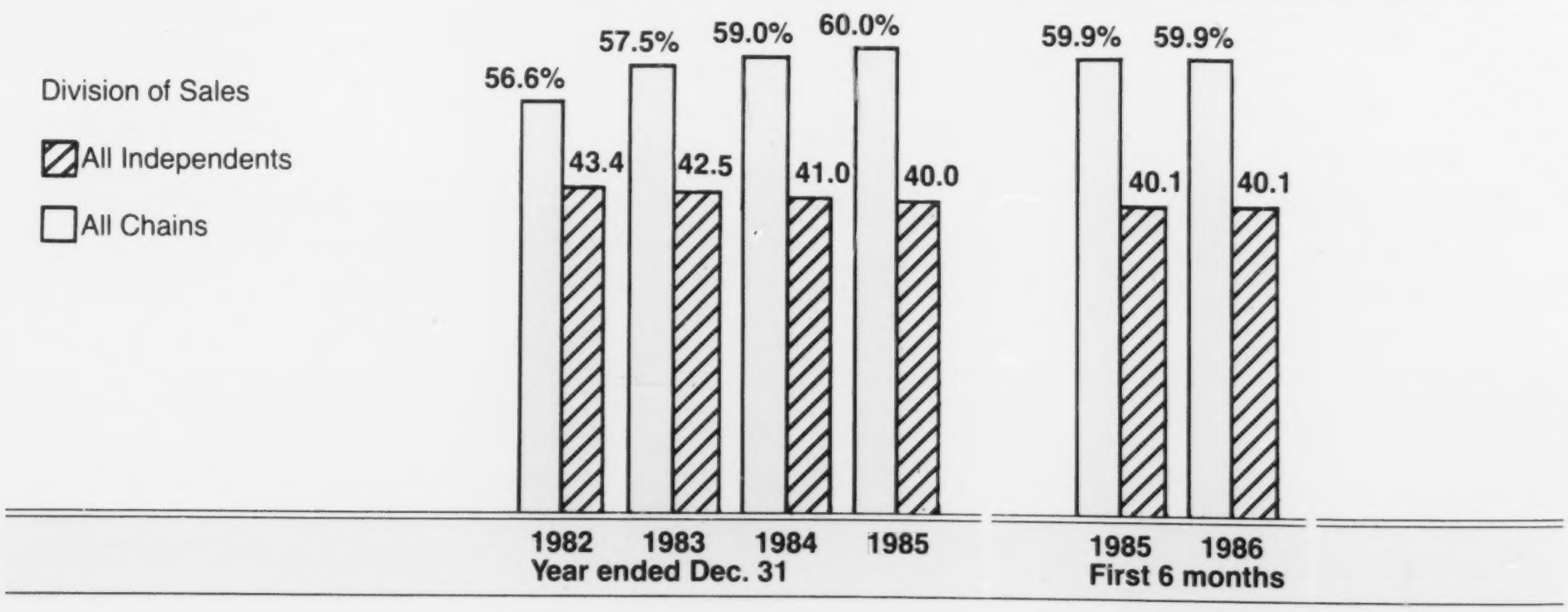
Retail drug store sales increased 9% in 1985 reaching $47 billion. For the first half of 1986, the growth rate has slowed slightly to 7% as price increases remain moderate.

Both chain drug outlets (those companies with four or more stores under the same ownership) and independently operated drug stores have been growing at the same 7% rate so far in 1986.

This is a change from historical patterns where chain drug outlets growth rates have outpaced independents by a considerable margin.

Independents, who historically have a higher portion of sales in prescriptions, are benefitting from the continued high inflation rates of prescription drug items to a greater extent than drug chains.

U.S. Retail Drug Stores Division of Sales — Chart 6



Source: Nielsen Marketing Research Estimates

Chain drug stores accounted for a sizable chunk (60%) of total drug store sales during 1985. But, so far in 1986, independent operators, particularly the high volume independents, have successfully defended their competitive position against the chains, maintaining a 40.1% share of the business.

Retail Drug Store Sales By Nielsen Retail Marketing Area — Chart 7

	1985 Drug Store Dollar Sales ($ millions)*	% Change vs. Year ago	1985 Share of U.S. Sales	1985 Population (millions)	Index Drug Store Sales Per Capita U.S. = 100	1984 Effective Buying Income ($ billions)	Index Buying Income Per Capita U.S. = 100
Total United States	**$46,995**	**9%**	**100.0%**	**236.7**	**$199**	**$2,558**	**$10,805**
New England	2,435	10	5.2	12.4	99	152	113
Metro New York	2,283	9	4.9	15.4	75	196	118
Albany/Buffalo/Syracuse	1,564	4	3.3	7.3	109	77	98
Philadelphia	1,853	11	4.0	10.1	93	115	105
Baltimore/Washington	1,906	8	4.1	7.9	121	97	113
Pittsburgh	1,073	9	2.3	6.6	82	62	88
Cleveland	1,335	13	2.8	6.6	102	69	97
Detroit/Grand Rapids	2,086	10	4.4	9.7	109	104	99
Indianapolis/Cincinnati/Lexington	2,156	8	4.6	10.8	101	108	93
Metro Chicago	1,961	7	4.2	7.8	126	95	113
St. Louis/Peoria	1,050	7	2.2	5.9	90	62	98
Kansas City/Omaha/Iowa	1,569	3	3.3	9.9	80	105	98
Minneapolis/Wisconsin	1,812	10	3.9	10.5	87	113	100
Denver/Mountains	901	8	1.9	5.3	86	58	102
Virginia/Carolinas	2,246	10	4.8	12.6	90	115	84
Florida/South Georgia	2,784	14	5.9	12.3	114	129	97
Georgia/Alabama	2,459	8	5.2	13.9	89	128	85
Delta	2,087	11	4.4	11.3	93	99	81
Albuquerque/San Antonio/Oklahoma	1,359	7	2.9	10.4	66	97	86
Dallas/Houston	2,130	6	4.5	10.5	102	123	108
Southern California	3,697	9	7.9	16.2	115	196	111
Boise/Salt Lake City/Phoenix	1,040	3	2.2	5.5	95	51	86
Northern California	3,465	14	7.4	10.5	165	129	113
Seattle/Portland	1,744	4	3.7	7.3	120	78	99

*Year ended Dec. 31

Source: Nielsen Marketing Research Estimates. Market Statistics Estimates

Of the 24 Nielsen retail marketing areas, drug store sales in Florida/South Georgia (+14%), northern California (+14%) and Cleveland (+13%) increased significantly above the U.S. average of 9% during 1985.

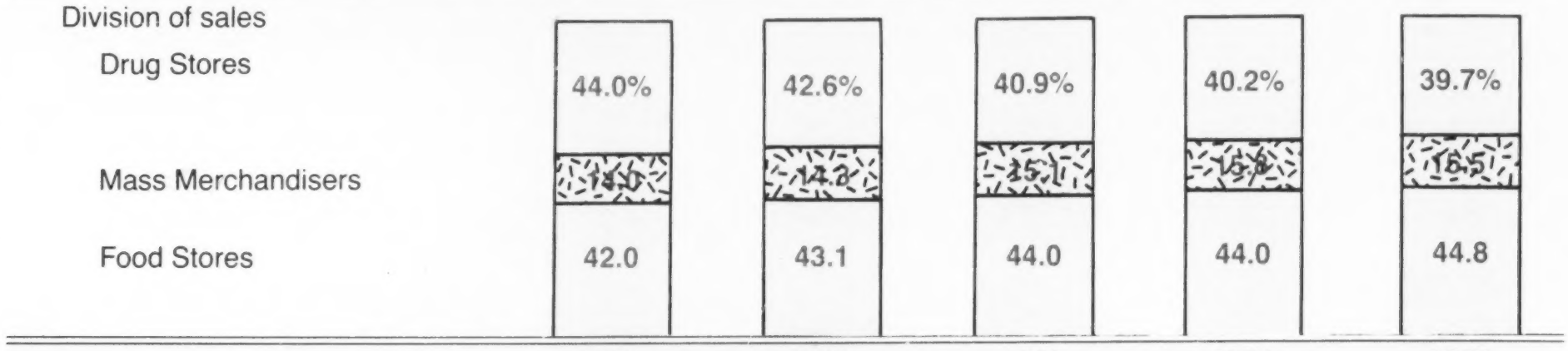
More moderate increases occurred in Seattle/Portland (+4%), Boise/Salt Lake/Phoenix (+3%), and Albany/Buffalo/Syracuse (+4%).

Total drug store sales per capita during 1985 were highest in northern California followed by Seattle/Portland, Metro Chicago, and Baltimore/Washington. These are areas where drug stores have been successful at offering a wider merchandise mix including such items as alcoholic beverages, general merchandise and groceries.

Chapter III: HBA Sales Trends

HBA Division of Sales By outlet type
Drug vs. Food vs. Mass Merchandisers

Chart 8



Source: Nielsen HBA Services

Total dollar sales of the 59 categories that comprise the Nielsen HBA Index climbed to $23.9 billion in 1985, a gain of 5% over a year ago.

Drug stores lost a little share in 1985, declining from a 1984 share of 40.2% to a 1986 share of 39.7%. That 39.7% represented some $9.5 billion in sales for the categories in the index.

Sales for the 59 HBA Index categories in 1985 accounted for 20.2% of total drug store sales.

Food stores increased their share of Nielsen HBA Index categories by 0.8 point to 44.8% in 1985, while mass merchandisers accounted for 15.5% of the outlet sales, down 0.3 point from 1985.

The Nielsen HBA Index is currently composed of 59 selected over-the-counter toiletry, cosmetic, remedial and paper goods categories. No prescription items are included.

(See chart 12 for a complete list of the 59 Nielsen HBA categories.)

HBA Sales and Price Trends *Drug vs. Food vs. Mass Merchandisers*
% change vs. year ago

Chart 9

	Dollar sales trends				Unit sales trends*				Price trends*			
	1984 Year ended Dec. 31	1985 Year ended Dec. 31	1985 First 6 months	1986 First 6 months	1984 Yead ended Dec. 31	1985 Yead ended Dec. 31	1985 First 6 months	1986 First 6 months	1984 Year ended Dec. 31	1985 Year ended Dec. 31	1985 First 6 months	1986 First 6 months
Drug Outlets	6	3	2	5	3	0	−1	3	3	3	3	3
Food Outlets	8	6	6	7	2	2	1	3	5	5	6	4
Mass Merchandisers	13	3	5	3	9	0	3	0	4	4	3	4

*Weighted by dollar sales importance

Source: Nielsen HBA Services

While sales rose 5%, Nielsen HBA Index unit sales climbed 1% in 1985 in the three mass market retail outlets combined. The only outlets with unit gains in 1985 were food outlets, up +2%.

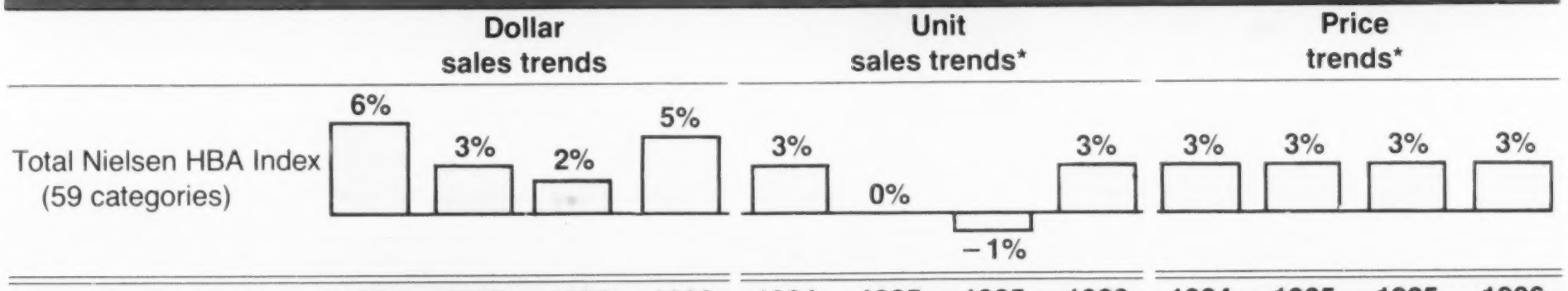
Units sales trends are picking up during the first part of 1986, both in food (+2%) and in drug outlets (+3%).

Prices for the Nielsen Index categories are averaging 4% higher for 1986 to date, with slower price inflation in drug outlets than in either food or mass merchandiser outlets.

HBA Sales and Price Trends *Drug Stores*

% change vs. year ago

Chart 10



	Dollar sales trends				Unit sales trends*				Price trends*			
	1984	1985	1985	1986	1984	1985	1985	1986	1984	1985	1985	1986
	Year ended Dec. 31		First 6 months		Yead ended Dec. 31		First 6 months		Year ended Dec. 31		First 6 months	
Total Toiletries	6	3	2	5	4	0	−1	3	2	3	3	3
Men's Products	6	2	1	7	3	−1	−2	3	3	3	3	4
Skin Care	5	4	1	3	2	1	−2	0	3	3	3	3
Hair Care	4	1	0	5	3	0	−1	6	1	1	1	0
Oral Hygiene	8	6	5	7	6	−1	−2	3	2	7	8	4
Color Cosmetics	9	5	5	7	7	4	5	4	1	1	0	3
Other Toiletries	7	2	1	4	3	−3	−3	0	4	5	5	4
Total Remedial	4	3	1	5	−1	0	−2	2	5	4	4	3
Cold/Cough/ Flu/Sinus	6	6	4	8	1	1	−2	2	5	5	6	6
Analgesics/Digestive	3	2	1	4	−2	−1	−2	3	5	3	4	2
External medicines	3	4	2	6	0	2	1	3	3	2	2	3
Paper Goods	14	8	7	5	8	3	3	−1	5	4	4	6
Selected Sundries	10	1	−1	4	9	8	−1	5	1	−1	0	−1

*Weighted by dollar sales importance

Source: Nielsen HBA Services

Drug store HBA unit sales growth slowed to a standstill in 1985 as Nielsen HBA Index unit sales remained unchanged from the year before.

Sales during the first half of 1986 are again on the upswing with unit sales increasing through most of the HBA Index product groups.

The stronger product groups include hair care (+6%), color cosmetics (+ 4%) and selected sundries (+5%). Remedial product sales growth, particularly analgesics, has not been affected by the most recent episodes of product tampering.

Drug retailers have excelled at keeping price increases at a minimal 3% average right through the first part of this year.

HBA Sales and Price Trends *Drug Chains vs. Independents*

First 6 months 1986 % change vs. year ago

Chart 11

	Dollar sales trends		Unit sales trends*		Price trends*	
	Drug Chains	Drug Indpts.	Drug Chains	Drug Indpts.	Drug Chains	Drug Indepts.
Total Nielsen HBA Index (59 categories)	6%	3%	3%	0%	3%	3%
Total Toiletries	6	5	3	3	3	2
Men's Products	7	7	3	4	4	3
Skin Care	2	3	0	0	3	4
Hair Care	4	11	5	11	−1	1
Oral Hygiene	8	4	3	2	5	2
Color Cosmetics	8	4	5	1	3	3
Other Toiletries	5	0	1	− 2	4	3
Total Remedial	8	1	4	− 2	4	3
Cold/Cough/Flu/Sinus Remedies	11	2	4	− 3	6	6
Analgesics/Digestive Remedies	7	0	4	− 2	3	2
External Medicines	8	2	5	− 1	3	3
Paper goods	4	7	−1	2	6	5
Selected sundries	6	− 5	6	− 3	0	−2

*Weighted by dollar sales importance

Source: Nielsen HBA Services

HBA unit sales growth in drug chains during the first half of 1986 is averaging 3% above a year ago, considerably better than independents (±0%) and better than average index trends for the three outlets combined.

Drug independent sales are soft in all of the remedial product groups (−2%). Much of the independent overall weakness traces to smaller stores.

HBA prices are increasing at equal rates in both chain and independent drug stores.

HBA Category Sales Trends *Drug Stores*

First 6 months 1986 % change vs. year ago

Chart 12

59 CATEGORIES IN NIELSEN HBA INDEX

10 Categories showing major increase in dollar sales (10% or greater)	**41** Categories showing increases in dollar sales (0% to 10%)	**7** Categories showing decreases in dollar sales (0% to – 10%)	**1** Categories showing major decreases in dollar sales (– 10% or greater)
Toothbrushes	Chapped Lipped Preps	Pet Flea Collars	Sunglasses
Internal Analgesics	Shampoo	Arthritic Remedies	
Bath Oil	Shaving Cream	Home Wave Kits	
Nail Color	Disposable Diapers	Vitamins	
Aftershave Lotion/Cologne	Denture Cleansers	Face Creams & Lotions	
Cold Remedies	Women's Fragrances	Acne Remedies	
Hair Fixatives	After Shampoo	Topical Hydrocortisones	
Hair Color	Blades & Razors		
Dieting Aids	Women's Contraceptives		
Early Pregnancy Test	Throat Lozengers		
	Talc/Dusting Powder		
	Hemorrhoid Preparations		
	Denture Adhesives		
	Ethnic Hair Preps		
	Sleeping Tablets		
	Laxatives		
	Cough Syrup		
	Stomach Remedies/Antacid		
	Cotton Swabs		
	Adhesive Bandages		
	Eye Makeup		
	Depilatories		
	Hand & Body Lotions		
	Batteries		
	Sinus Remedies		
	Diarrhea Remedies		
	Cough Drops		
	Nasal Spray		
	Premoistened Towelettes		
	Eye Drops & Lotions		
	Feminine Douches		
	Lip Makeup		
	External Analgesics		
	Mouthwash		
	Men's Hair Preps		
	Sanitary Protection		
	Face Makeup		
	Dentifrice		
	Deodorants		
	Dental Floss		
	Food Remedies		

Source: Nielsen HBA Services

Of the total 59 categories that currently compose the Nielsen HBA Index, a total of 51 are showing dollar gains for the first part of 1986. Particularly strong are the toothbrush, internal analgesics, bath oil, nail color, after shave lotion/cologne, cold remedies, hair fixtures, hair color, dieting aids, and early pregnancy test categories.

Division of Selected HBA Category Dollar Sales

Drug vs. Food vs. Mass Merchandisers

Chart 13

	1984 Drug	1985 Drug	Grocery	Mass Merchandisers
Total Nielsen HBA Index (59 Categories)	40.2%	39.7%	44.8%	15.5%
Selected Individual Categories				
Topical Hydrocortisone	69.4	67.6	24.4	8.0
Foot Remedies	65.6	63.9	26.6	9.5
Laxatives	64.5	63.3	29.4	7.3
Ethnic Hair Preps	57.2	60.9	23.2	15.9
Color Cosmetics	59.9	59.1	16.5	24.4
Face Creams & Lotions	58.4	58.6	24.8	16.6
Hair Color	58.3	57.6	19.9	22.5
After Shave Lotion/Cologne	58.0	57.7	17.4	24.9
Sun Glasses	55.1	54.0	21.8	24.2
Home Wave Kits	54.4	54.0	20.7	25.3
Stomach Remedies/Antacid	49.7	48.5	42.7	8.8
Cold Remedies	48.9	48.3	43.7	8.0
Bath Oil	48.6	48.3	33.3	18.4
Hand & Body Lotions	47.3	46.5	37.2	16.3
Mousse	51.8	41.9	38.8	19.3
Feminine Douches	41.6	40.6	41.7	17.7
Sinus Remedies	38.7	38.2	52.4	9.4
Men's Hair Preps	38.6	38.5	45.4	16.1
After Shampoo Products	37.7	37.3	43.0	19.7
Internal Analgesics	37.2	37.1	53.0	9.9
Shaving Cream	31.8	32.2	49.0	18.8
Hair Fixatives	31.8	31.2	48.4	20.4
Mouthwash	29.0	30.2	54.3	15.5
Blades & Razors	29.8	29.6	52.6	17.8
Deodorants	28.7	28.5	52.4	19.1
Shampoo	28.5	27.9	53.1	19.0
Sanitary Protection	25.5	25.7	60.6	13.7
Dentifrice	22.3	22.4	61.6	16.0
Premoistened Towelettes	17.4	17.1	62.8	20.1
Disposable Diapers	10.9	11.2	77.8	11.0

Year ended Dec. 31

Source: Nielsen HBA Services

Drug stores accounted for 39.7% of the Nielsen HBA index dollar sales in 1985, slightly less than in 1984. Grocery stores, moving from a 44.0% share of business to a 1985 share of 44.8%, made the largest gains.

Of the 30 selected categories listed, drug stores improved their retail outlet share of sales in seven categories, most significantly in ethnic hair preparations and mouthwash. Food stores improved their share of sales in 21 categories, mass merchandiser in six categories.

Division of Selected HBA Category Dollar Sales
Drug Chain vs. Independents

Chart 14

	1984 Drug Chains	1985 Drug Chains	Drug Independents over $500,000	Drug Independents under $500,000
Total Nielsen HBA Index (59 Categories)	73.5%	74.9%	15.0%	10.1%
Selected Individual Categories				
Disposable Diapers	87.9%	89.6%	7.2%	3.2%
Ethnic Hair Preps	85.6	87.9	8.9	3.2
After Shampoo	84.7	86.0	10.0	4.0
Mousse	85.2	85.9	10.4	3.7
Premoistened Towelettes	84.1	85.1	10.0	4.9
Hair Color	84.1	85.1	10.5	4.4
Deodorants	82.6	83.6	10.9	5.5
Hair Fixatives	83.3	83.6	11.2	5.2
Dentifrice	81.8	83.2	10.6	6.2
Home Wave Kits	81.3	82.5	11.6	5.9
Shampoo	80.1	80.7	12.6	6.7
Color Cosmetics	79.0	80.3	14.0	5.7
Sanitary Protection	78.9	80.1	12.6	7.3
Men's Hair Preps	78.9	80.1	13.2	6.7
Blades & Razors	79.0	79.6	12.3	8.1
Face Creams & Lotions	78.2	79.3	13.8	6.9
Feminine Douches	77.0	78.9	12.9	8.2
Shaving Cream	77.4	78.3	13.5	8.2
After Shave Lotions/Colognes	77.1	78.0	15.0	7.0
Mouthwash	76.9	77.5	12.8	9.7
Bath Oil	74.0	75.0	16.2	8.8
Hand & Body Lotions	74.4	74.7	16.0	9.3
Sinus Remedies	69.2	72.0	15.6	12.4
Topical Hydrocortisones	66.8	68.8	17.1	14.1
Internal Analgesics	66.1	67.5	17.3	15.2
Sunglasses	67.2	67.4	19.0	13.6
Cold Remedies	65.7	67.3	18.0	14.7
Food Remedies	65.4	65.5	19.0	15.5
Stomach Remedies/Antacids	60.8	63.2	19.2	17.6
Laxatives	61.6	62.4	19.5	18.1

Year ended Dec. 31

Source: Nielsen HBA Services

Chain drug stores accounted for close to three quarters (74.9%) of Nielsen HBA Index dollar sales during 1985, an increase of 1.3 points. High volume independent drug store operators (over $500,000 in annual sales) captured 15.0% of sales while smaller independent operators lost 1.6 points.

Chain drug stores improved their share of sales in all of the 30 selected categories listed, with the bulk of their sales share gains coming at the expense of small independents.

HBA Sales Trends by Nielsen Retail Marketing Area *Drug Stores*

First 6 months 1986 % change vs. year ago

Chart 15

	1985 Per Capita Index Total HBA Index Sales (Total US = 100)	1986 Nielsen HBA Index Dollar Sales Trends	1985 Per Capita Index Toiletries & Personal Care Sales (Total US = 100)	1986 Toiletries & Personal Care Dollar Sales Trends	1985 Per Capita Index Remedial Products Sales (Total US = 100)	1986 Remedial Products Dollar Sales Trends
Total United States	**$ 40**	**5%**	**$ 21**	**5%**	**$ 15**	**6%**
New England	**111**	**8**	**111**	**9**	**111**	**7**
Metro New York	**89**	**15**	**90**	**14**	**90**	**13**
Albany/Buffalo/Syracuse	**89**	**– 4**	**82**	**– 3**	**92**	**– 4**
Philadelphia	**90**	**14**	**85**	**17**	**98**	**12**
Baltimore/Washington	**145**	**4**	**145**	**4**	**133**	**1**
Pittsburgh	**82**	**9**	**76**	**12**	**92**	**5**
Cleveland	**120**	**– 1**	**114**	**– 2**	**112**	**8**
Detroit/Grand Rapids	**75**	**6**	**69**	**6**	**82**	**5**
Indianapolis/Cincinnati/Lexington	**99**	**2**	**95**	**1**	**101**	**3**
Metro Chicago	**114**	**0**	**112**	**– 4**	**111**	**5**
St. Louis/Peoria	**68**	**1**	**62**	**1**	**76**	**2**
Kansas City/Omaha/Iowa	**71**	**– 1**	**64**	**– 4**	**84**	**2**
Minneapolis/Wisconsin	**85**	**2**	**80**	**2**	**94**	**5**
Denver/Mountains	**58**	**1**	**62**	**4**	**56**	**– 4**
Virginia/Carolinas	**101**	**2**	**103**	**2**	**102**	**5**
Florida/South Georgia	**117**	**10**	**121**	**7**	**114**	**13**
Georgia/Alabama	**92**	**9**	**91**	**9**	**97**	**7**
Delta	**91**	**12**	**92**	**12**	**89**	**10**
Albuquerque/San Antonio/ Oklahoma	**47**	**8**	**45**	**10**	**54**	**3**
Dallas/Houston	**111**	**– 7**	**118**	**–10**	**104**	**0**
Southern California	**120**	**7**	**129**	**7**	**108**	**8**
Boise/Salt Lake/Phoenix	**103**	**5**	**104**	**9**	**102**	**– 7**
Northern California	**177**	**14**	**185**	**16**	**160**	**11**
Seattle/Portland	**120**	**–10**	**125**	**– 7**	**113**	**–10**

Source: Nielsen HBA Services

HBA sales trends by Nielsen Retail Marketing area were strongest during the first half of 1986 in Metro New York (+15%), Philadelphia (+14%), Florida/South Georgia (+10%), Delta (+12%), and Northern California (+14%) in 1985.

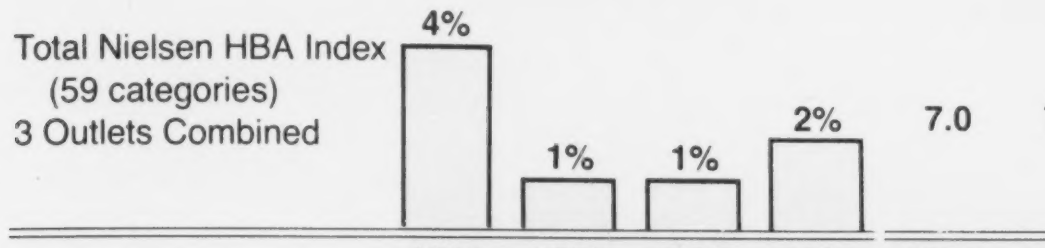
Average spending in drug stores on the Nielsen 59 HBA categories is about $40 per person based on 1985 sales rates. The average per person expenditure on toiletries was $21 and per person spending on remedial products was $15. Highest per capita drug store HBA expenditures occured in North California (177) followed by Baltimore/Washington (145).

Chapter IV: HBA Inventory Trends

HBA Inventory Trends *Drug vs. Food vs. Mass Merchandisers*

% change vs. year ago

Chart 16



	Inventory level trends*				Inventory stockturns (actual)*				Inventory stockturn trends*			
	1984 Year ended Dec. 31	1985 Year ended Dec. 31	1985 First 6 months	1986 First 6 months	1984 Year ended Dec. 31	1985 Year ended Dec. 31	1985 First 6 months	1986 First 6 months	1984 Year ended Dec. 31	1985 Year ended Dec. 31	1985 First 6 months	1986 First 6 months
Total Nielsen HBA Index (59 categories) 3 Outlets Combined	4%	1%	1%	2%	7.0	7.1	7.1	7.1	1%	1%	0%	0%
Drug Outlets	2%	3%	3%	1%	4.4	4.3	4.4	4.5	1%	−2%	−3%	2%
Food Outlets	3	1	0	6	10.8	11.0	10.9	10.6	1	2	2	−3
Mass Merchandisers	9	−1	1	−1	6.4	6.4	6.5	6.5	1	1	1	0

*Weighted by dollar sales importance

Source: Nielsen HBA Services

Store level inventories in three outlets combined increased an average of only 1% during 1985. The largest increases were in drug outlets (+3%).

Levels are up 2% for the first part of 1986, which is in line with unit sales increases during the same period. Most of the increases are the result of inventory build-ups in food outlets (+6%).

In food outlets, toiletries and personal care, and paper goods inventory build-ups are responsible for the increases.

HBA Inventory Trends *Drug Stores*

% change vs. year ago

Chart 17

	Inventory level trends*				Inventory stockturns (actual)*				Inventory stockturn trends*			
Total Nielsen HBA Index (59 Categories)	2%	3%	3%	1%	4.4	4.3	4.4	4.5	1	−2%	−3%	2%
	1984	1985	1985	1986	1984	1985	1985	1986	1984	1985	1985	1986
	Year ended Dec. 31		First 6 months		Year ended Dec. 31		First 6 months		Year ended Dec. 31		First 6 months	
Total Toiletries	3	4	4	2	3.9	3.8	3.8	3.8	1	−4	−5	1
Men's Products	4	2	2	2	4.2	4.1	4.1	4.1	−1	−3	−4	0
Skin Care	−3	2	0	−1	4.1	4.1	4.2	4.2	6	0	−2	1
Hair Care	4	6	6	1	4.3	4.1	4.1	4.3	0	−4	−6	5
Oral Hygiene	5	7	5	5	5.3	4.9	5.0	4.9	1	−7	−7	− 2
Color Cosmetics	2	7	6	6	2.3	2.3	2.3	2.3	5	−3	−1	− 2
Other Toiletries	4	1	2	0	3.8	3.6	3.7	3.7	0	−4	−5	0
Total Remedial	1	1	1	−3	4.5	4.5	4.7	5.0	−1	0	−2	7
Cold/Cough/Flu/Sinus	0	4	0	1	4.5	4.4	5.0	5.0	2	−3	−2	1
Analgesics/Digestive	1	−1	1	−6	4.5	4.5	4.5	5.0	−2	1	−2	10
External Medicines	−4	4	3	0	4.6	4.5	4.5	4.6	5	−1	−1	4
Paper goods	6	2	4	5	7.1	7.2	7.1	6.5	4	2	1	−7
Selected sundries	4	8	9	14	4.9	4.0	6.2	5.7	−2	−7	−9	−8

*Weighted by dollar sales importance

Source: Nielsen HBA Services

Drug store inventory levels grew by an average of 3% during 1985, a rate considerably higher than unit sales growth. This caused a 2% decline in stockturn rates.

Currently, HBA index inventory levels are 1% above year ago, with remedial product inventories, specifically analgesic/digestive remedies down sharply from year ago.

This is a direct result of the product tampering problems that have plagued the industry in early 1986.

HBA Inventory Trends *Drug Chains vs. Independents*

First 6 months 1986 % change vs. year ago

Chart 18

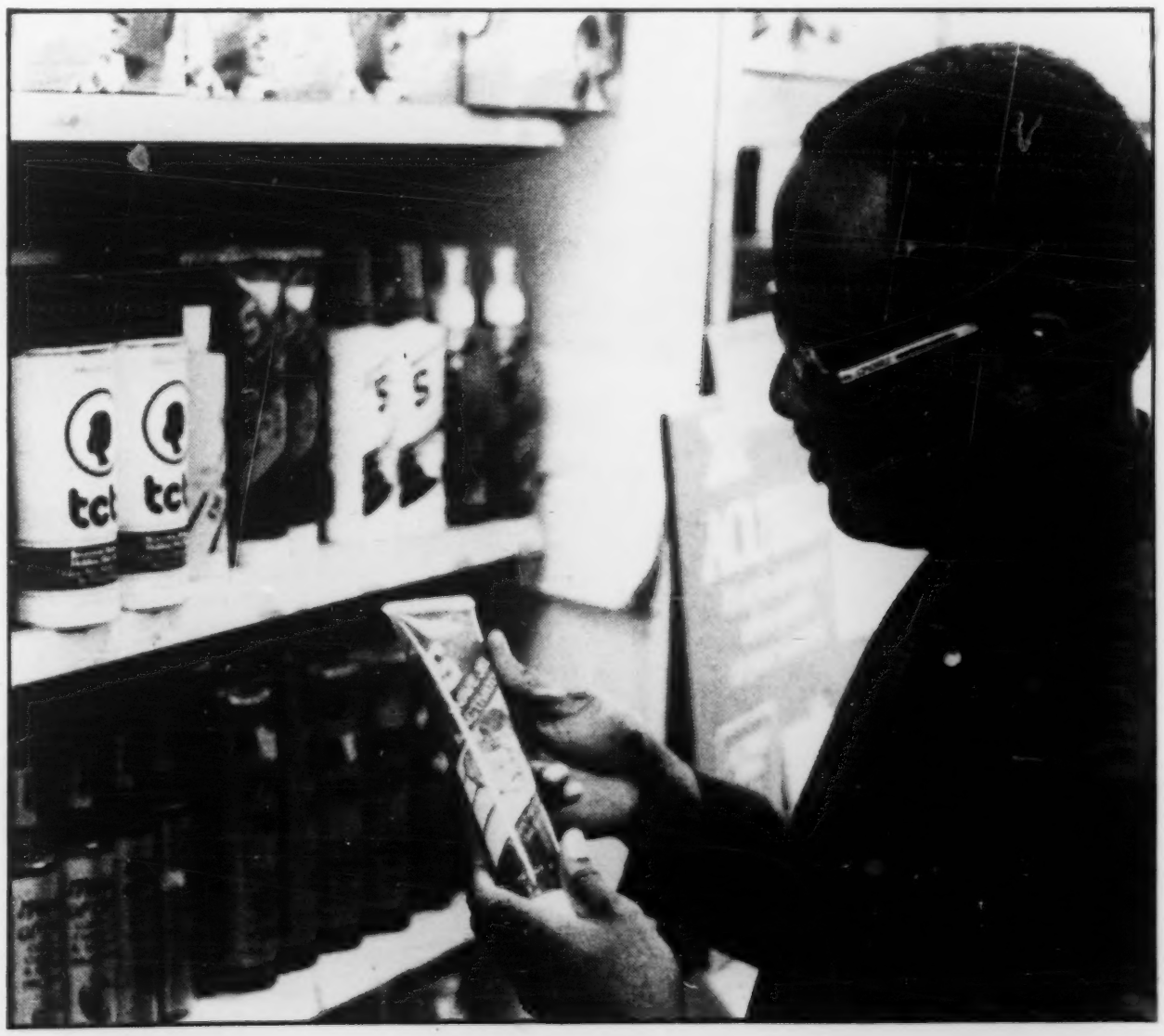
	Inventory level trends*		Inventory stockturns (actual)*		Inventory stockturn trends*	
	Drug Chains	Drug Indpts.	Drug Chains	Drug Indpts.	Drug Chains	Drug Indepts.
Total Nielsen HBA Index (59 categories)	4%	– 5%	5.2	3.1	– 1%	7%
Total Toiletries	4	– 1	4.5	2.3	0	5
Men's Products	4	– 2	5.0	2.3	– 2	6
Skin Care	1	– 3	5.0	2.5	– 1	3
Hair Care	2	– 1	4.7	2.7	4	12
Oral Hygiene	7	1	5.5	3.3	– 3	2
Color Cosmetics	8	3	2.7	1.3	– 2	– 2
Other Toiletries	2	– 2	4.4	2.1	– 1	2
Total Remedial	2	–10	6.0	3.6	3	10
Cold/Cough/Flu/Sinus Remedies	8	– 7	6.1	3.6	– 3	4
Analgesics/Digestive Remedies	– 0	–12	5.9	3.6	6	13
External Medicines	6	– 6	5.8	3.0	1	6
Paper goods	7	– 2	7.3	3.8	–10	5
Selected sundries	18	4	6.2	3.9	– 9	– 7

*Weighted by dollar sales importance

Source: Nielsen HBA Services

Drug chain inventory levels increased 4% over a year ago during the first part of 1986. This increase is almost in line with sales increases over the same period, since stockturn rates are only slightly lower than year ago.

Inventory levels for independent drug stores are down 5% with analgesic/digestive remedials (–12%) off significantly. The sharp decline in the analgesic/digestive inventories in the remedial categories did not hurt overall sales rates.



HBA Visual Inventory Trends *Drug Chains vs. Independents*

First 6 months 1986 % change vs. year ago

Chart 19

	Visual inventory level trends			Visual inventory as % of Total Inventory*		
	Total Drug Stores	Drug Chains	Drug Indpts	Total Drug Stores	Drug Chains	Indpts
Total Nielsen HBA Index (59 categories)	2%	5%	– 5%	90.5%	91.6%	88.7%
Total Toiletries	2	4	– 1	93.5	93.5	93.5
Men's Products	3	5	– 2	91.7	90.9	93.1
Skin Care	– 1	0	– 4	92.9	93.1	92.6
Hair Care	2	3	– 1	93.6	93.6	93.4
Oral Hygiene	5	7	0	88.0	87.4	89.4
Color Cosmetics	6	8	4	96.3	96.4	96.2
Other Toiletries	1	3	– 4	93.4	93.8	92.7
Total Remedial	– 2	3	– 8	88.0	92.7	84.3
Cold/Cough/Flu/Sinus	2	7	– 5	85.1	90.9	78.6
Analgesics/Digestive	– 4	1	–10	89.8	93.1	85.8
External Medicines	0	6	– 6	93.4	95.1	91.4
Paper goods	6	8	– 1	67.9	68.4	66.7
Selected sundries	15	18	5	79.8	80.3	78.0

*Weighted by dollar value of inventory

Source: Nielsen HBA Services

During the first part of 1986, drug store retailers kept an average of 90.5% of their total store inventories in front of the consumer.

Independent drug stores operators maintained higher backroom stocking levels than chain operators, particularly in the remedial sections. Only 84.3% of remedial product stocks in independents are directly available to the consumer, 8 points lower than chain operators.

The current change in visual inventory levels from last year is similar to the change in overall inventories with one exception—it is evident that product tampering problems have forced independent operators to quickly remove both front and backroom stocks of remedial products in capsule form.

Chapter V: Space Allocation

HBA Average Linear Feet of Shelf Space *By store type* — Chart 20

	Drug Chains		Drug Large Independents		Food Chains Over $2 million		Mass Merchandisers	
	1984	1985	1984	1985	1984	1985	1984	1985
Selected Toiletries & Personal Care								
After shave lotion/cologne	30 ft.	28 ft.	27 ft.	23 ft.	NA	7 ft.	21 ft.	18 ft.
Dentifrice	43	47	17	18	NA	32	38	39
Denture adhesive/cleanser	25	26	14	14	NA	11	16	16
Deodorants	61	64	30	27	NA	40	58	60
Face creams & lotions	28	24	16	13	NA	8	16	14
Hair coloring	65	65	35	29	NA	16	53	48
Hair fixitives	39	42	16	16	NA	20	44	39
Hair preparations	68	70	29	27	NA	32	57	55
Hand lotions & creams	33	29	18	16	NA	13	25	23
Home wave kits	17	17	9	10	NA	5	16	13
Mouthwash	32	31	13	11	NA	19	32	31
Shampoos	71	66	35	32	NA	43	73	66
Shaving cream	20	20	11	9	NA	11	21	19
Selected Remedial Categories								
Acne remedies	18	17	15	13	NA	7	10	11
Stomach remedies/antacids	36	36	26	24	NA	13	20	19
Chest rubs	7	6	5	5	NA	3	3	3
Cold & sinus remedies	44	42	28	28	NA	18	22	21
Cough syrups	20	19	16	13	NA	7	9	8
Internal Analgesics	49	54	29	31	NA	27	32	33
Laxatives	36	41	26	25	NA	10	15	14
Nasal sprays & drops	11	11	8	7	NA	4	5	5
Vitamins	85	84	57	60	NA	31	47	43
Selected Paper Products								
Disposable diapers	41	45	12	13	NA	53	58	59
Sanitary napkins	46	57	21	22	NA	38	52	64
Tampons	19	18	10	9	NA	11	19	14

End of April Basis
NA = Not available

Source: Nielsen HBA Services Survey

In 1985, drug chains operators allocated an average of 3 additional linear feet of shelf space to the dentifrice, deodorants, hair fixatives, headache remedies, laxatives and sanitary napkins and disposable diapers categories.

Only vitamins were allocated significant additional space by high volume independent drug store operators.

HBA Average Dollar Sales *By store type*
Per Month Per Linear Foot of Space Allocation

Chart 21

	Drug Chains*		Drug Large Independents*		Food Chains Over $2 million +		Mass Merchandisers*	
	1984	1985	1984	1985	1984	1985	1984	1985
Selected Toiletries & Personal Care								
Hair preparations	$20.91	$20.00	$10.25	$10.05	NA	$36.06	$31.16	$33.18
Dentifrice	23.52	22.81	12.71	11.91	NA	65.63	48.43	51.73
Denture adhesive/cleansers	21.08	17.31	10.45	8.74	NA	33.71	28.06	28.14
Deodorants	24.56	24.69	10.62	11.86	NA	52.07	46.70	46.31
Face creams & lotions	38.53	45.14	19.43	22.73	NA	47.15	52.67	60.71
Hair coloring	17.45	16.61	6.41	7.29	NA	22.42	20.77	22.39
Hair sprays	17.66	16.30	8.94	9.13	NA	37.90	25.46	31.60
Hand & body lotions	22.98	26.45	13.75	15.99	NA	39.85	29.07	34.65
Home wave kits	17.19	20.09	7.86	7.69	NA	19.91	28.47	32.24
Mouthwash	17.03	18.50	10.90	13.49	NA	41.88	26.91	26.66
Shampoos	22.85	22.93	11.35	11.51	NA	49.27	38.92	42.17
Shaving Cream	14.54	13.76	7.14	8.23	NA	27.09	21.72	23.55
Selected Remedial Products								
Acne remedies	19.23	19.83	8.84	9.54	NA	31.95	21.59	20.33
Stomach remedies/Antacids	30.37	27.49	20.92	19.39	NA	52.56	29.62	32.74
Internal analgesics	47.98	42.97	33.75	29.70	NA	94.17	62.76	60.35
Laxatives	30.39	26.04	20.27	20.75	NA	44.42	29.14	30.74
Nasal sprays & drops	26.87	27.08	16.02	17.94	NA	54.46	28.84	29.51
Vitamins	23.74	22.19	18.00	15.44	NA	29.23	26.05	25.98
Selected Paper Products								
Disposable diapers	31.82	30.99	16.24	15.55	NA	121.43	59.91	60.27
Sanitary protection	23.93	21.10	12.62	12.56	NA	52.49	32.70	36.44

*Year ended April 30 for sales
NA = Not available

Source: Nielsen HBA Services

In chain drug outlets, face creams & lotions surpassed headache remedies as the highest selling category in dollar sales of the 20 being measured. At $45.14 per linear foot, face creams and lotions sales experienced a 17% increase over year ago levels. This is the result of both decreased space allocations and increased sales for the category.

Headache remedies, with sales of $29.70, is still the leading producer in sales per linear foot in large high-volume independent drug stores.

Disposable diapers at $121.43 per foot is the highest seller in large food chains; and face creams and lotions at $60.71 per linear foot surpassed both headache remedies and disposable diapers to become a top seller in mass merchandisers during 1985.

HBA Average Annual Inventory Turnover *By store type* — Chart 22

	Drug Chains*		Drug Large Independents*		Food Chains Over $2 million +		Mass Merchandisers*	
	1984	1985	1984	1985	1984	1985	1984	1985
Selected Toiletries & Personal Care								
Hair preparations	4.7	4.2	2.9	2.7	NA	6.5	6.4	5.8
Dentifrice	6.0	5.1	4.4	4.1	NA	8.6	7.9	7.3
Denture adhesive/cleansers	6.7	6.3	3.9	3.8	NA	8.5	7.1	6.6
Deodorants	6.0	5.5	3.5	3.3	NA	9.1	7.2	7.3
Face creams & lotions	4.8	4.8	2.6	2.7	NA	6.7	5.7	6.5
Hair coloring	4.0	3.5	2.2	2.1	NA	3.9	4.1	4.2
Hair sprays	6.1	6.0	3.5	3.9	NA	11.4	7.7	8.7
Hand & body lotions	5.5	5.4	3.1	3.2	NA	8.1	6.4	6.7
Home wave kits	4.6	4.2	2.9	2.7	NA	4.6	5.8	5.8
Mouthwash	6.5	6.3	4.7	4.8	NA	11.5	8.3	8.8
Shampoos	4.8	4.7	3.0	2.9	NA	9.9	6.5	6.8
Shaving Cream	5.6	5.4	3.4	3.4	NA	9.1	6.9	6.9
Selected Remedial Products								
Acne Remedies	5.2	4.8	3.0	2.9	NA	6.4	4.6	5.0
Stomach remedies/Antacids	6.3	5.8	3.7	3.6	NA	7.7	5.4	5.7
Internal analgesics	6.4	6.2	4.0	4.5	NA	9.4	6.0	6.0
Laxatives	6.7	6.3	4.4	4.4	NA	7.6	5.7	5.5
Nasal sprays & drops	5.7	5.7	3.4	3.5	NA	6.2	5.2	5.1
Vitamins	4.0	4.2	2.8	2.9	NA	5.1	4.5	4.3
Selected Paper Products								
Disposable diapers	11.2	10.7	4.8	5.1	NA	33.1	11.1	11.4
Sanitary protection	6.3	6.4	3.7	4.0	NA	11.8	7.4	7.7

*Year ended April 30 for sales
NA = Not available

Source: Nielsen HBA Services

General Merchandise—Average Linear Feet of Shelf Space *Per store handling category*

Drug Chain stores—end of November 1985 basis

By Nielsen Territory	U.S. Average	New England	Metro N.Y.	Middle Atlantic	East Central	Metro Chicago	West Central
Average General Merchandise	1,718 ft.	1,184	777	1,493	1,626	2,042	1,654
Small electrics	98	41	87	73	94	76	88
Canned motor oil	20	9	10	17	13	16	10
Oil filters	9	3	8	7	4	11	6
Air filters	9	4	4	9	9	13	11
Other automotive products	69	36	51	61	67	93	52
Lawn and garden supplies	46	9	8	15	9	74	28
Hardware	89	44	33	78	70	80	60
Paint	19	8	19	16	9	10	20
Picnic supplies	32	16	29	31	28	30	21
Sporting goods	83	8	6	12	11	4	10
Toys	218	155	123	215	234	192	185
Photo equipment	40	27	27	39	45	56	34
Records and tapes	42	56	4	12	31	43	11
Books	92	73	36	88	92	108	92
Stationery and school supplies	212	188	133	204	223	211	208
Greeting cards	476	534	207	526	581	684	633
Pet supplies	52	31	35	51	53	56	58
Soft goods	91	31	52	39	41	113	66
Sewing notions	32	22	14	30	24	39	28
Knitting supplies	30	17	0	31	20	17	29
Housewares	116	77	38	78	94	226	99
Kitchenware	96	41	45	92	64	88	45
Glassware/chinaware/woodware	62	34	17	40	40	53	39

Chain drug retailers who devote store space to general merchandise, allocate an average of 1,718 linear feet to such products based on a November 1985 study conducted by Nielsen Marketing Research. Higher than average levels are found in Metro Chicago (2,042 ft.). Metro Los Angeles (1,946 ft.) and in the Pacific Nielsen territories (3,005 ft.).

Greeting cards with 476 linear feet of shelf spacing garners top average allocation in almost all territories, but it should be noted that the specially designed display cases help provide large amounts of display space measured on a linear basis.

Chart 23

uth- st	South- west	Metro L.A.	Pacific
34	1,563	1,946	3,005
33	105	108	176
26	25	21	29
7	3	14	16
9	6	5	12
62	45	133	109
31	95	55	86
70	108	163	159
15	17	14	40
33	39	37	39
30	82	88	213
50	171	222	430
27	42	53	62
13	18	40	115
01	75	65	116
92	222	202	270
81	492	318	392
51	46	52	67
59	79	257	218
27	26	57	54
15	18	34	63
88	125	143	222
67	87	216	204
37	76	110	133

Source: Nielsen HBA Services Survey

Chapter VI: Drug Store Merchandising D

Drug Store Merchandising/Operation Strategies *Drug Chains vs. Large Independents*

All commodity volume basis—End of February 1986

By Nielsen Territory	Total U.S.	New England	Metro N.Y.	Middle Atlantic	East Central	Metro Chicago	West Central
Open 24 hours							
Chain	8 %	0%	0%	11%	20%	27%	5%
Large Independent	1	10	0	0	0	0	0
Pharmacy Computer system							
Chain	58	42	79	48	77	75	76
Large Independent	67	63	54	95	63	61	66
Cosmetician							
Chain	29	0	42	24	21	69	58
Large Independent	23	13	18	29	3	8	43
Prerecorded video tapes							
Chain	15	23	9	17	7	14	13
Large Independent	5	12	0	0	0	17	22
Film developing							
Chain	94	91	56	97	98	98	92
Large Independent	76	77	57	95	86	67	86
Lottery tickets sold							
Chain	26	18	0	19	22	14	27
Large Independent	22	58	28	4	21	58	27
Alcoholic beverages sold							
Chain	61	15	0	30	74	77	52
Large Independent	13	26	0	11	32	14	13
Liquor							
Chain	35	4	0	0	45	77	46
Large Independent	12	26	0	11	32	14	13
Beer							
Chain	60	15	0	30	71	77	52
Large Independent	10	0	0	11	32	14	13
Wine							
Chain	50	4	0	10	71	77	48
Large Independent	11	16	0	11	32	14	13

According to a Nielsen H&BA services survey taken at the end of February 1986, 8% of drug chain stores now provide customers with 24-hour shopping/prescription convenience.

Film developing services are offered by almost all drug chains and over 75% of large independents.

Alcoholic beverages are sold by slightly under two thirds of all drug chains, but by very few independents.

Sixty-seven per cent of large independents maintain a pharmacy computer system while only 58% of drug chains do.

evelopments

Chart 24

South-east	South-west	Metro L.A.	Pacific
0%	4%	0%	12%
0	0	0	0
65	45	47	43
85	65	75	46
29	32	38	20
25	27	41	30
14	42	7	8
0	0	0	3
92	99	93	96
67	35	72	92
0	0	89	52
0	0	12	38
63	58	86	82
0	0	0	8
7	26	86	78
0	0	0	8
63	58	86	78
0	0	0	8
31	52	86	80
0	0	0	8

Source: Nielsen HBA Services Survey

Chapter VI: Drug Store Merchandising

Drug Store Cosmeticians *Drug Chains vs. large Independents*
Indexed to stores without cosmeticians by store type

Chart 25

	CHAINS		LARGE INDEPENDENTS	
	Without Cosmetician	With Cosmetician	Without Cosmetician	With Cosmetician
STORE CHARACTERISTICS				
Cosmetician Available	71%	29%	77%	23%
Annual All Commodity Volume Per Store				
All Commodity Volume ($ million)	$1.5	$2.3	$0.8	$1.1
Index To Stores Without Cosmeticians	100	150	100	132
SALES INDICES*				
Dollar Sales Per Store	100	154	100	304
Unit Sales Per Store	100	144	100	281
Dollar Sales Per Million Acv	100	106	100	247
Unit Sales Per Million Acv	100	99	100	228
INVENTORY MANAGEMENT*				
Average Inventory Units Per SKU Stocked	100	111	100	120
Average Inventory Stockturns	100	109	100	132
MERCHANDISING CHARACTERISTICS*				
Average Price Per Unit	100	107	100	108
Rack Display Usage	100	100	100	198
Local Advertising	100	101	Not Significant	
Special Price Features	100	115	100	190

*Index numbers are unweighted averages for three cosmetic department categories (Eye makeup, Face makeup, Face creams & lotions). Data is from the January-February 1986 bimonthly period.

Source: Nielsen HBA Services

Nielsen's H&BA services study, taken at the end of February 1986, also found that 29% of chain and 23% of large independent drug stores employed cosmeticians.

Annual all commodity store sales in chains employing a cosmetician averaged $2.3 million, 50% higher than chains that did not have cosmeticians.

Independents with cosmeticians had total store sales of $1.1 million, 37% higher than independents that did not have them.

An examination of the sales characteristics of three major cosmetic categories (eye makeup, face makeup and face creams and lotions) revealed that chains with a cosmetician sold an average of $8.8 thousand per store during the bimonthly period, 54% greater than chains without a cosmetician.

Independents with a cosmetician sold an average of $3.4 thousand per store, 204% greater than independents without a cosmetician.

Adjusting for differences in store sizes by expressing sales relative to total store volume, we find that cosmeticians add only 6% to sales in chains, but a whopping 147% to sales in independents.

The wide margin between the effectiveness of the cosmetician in chains vs. independents is due in part to different merchandising strategies.

An independent with a cosmetician is using this cosmetic department above all else to differentiate itself from its competitors while, on the average, chain stores do not appear to generate a disproportionately higher rate of sales from their cosmetic departments when they employ a cosmetician.

This is reinforced by the absence of significant differences in chain merchandising tactics. Chains with cosmeticians don't use in-store rack displays, local advertising or special pricing to any more significant degree than chains without cosmeticians.

Cosmeticians certainly help with inventory management tasks, allowing more inventory per sku. They also helped increase turnover by an average of 9% in chains and a full 32% in independents.

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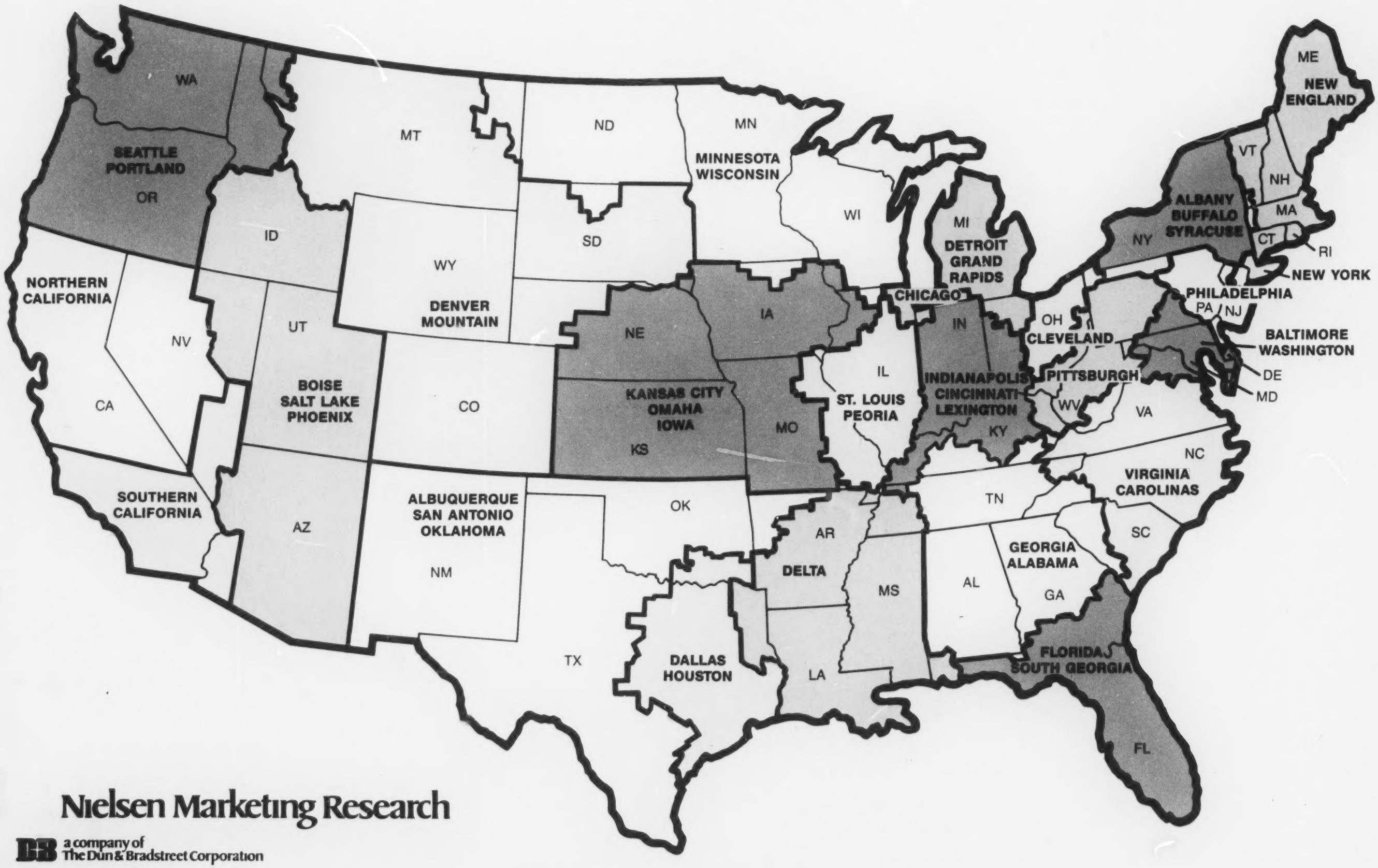

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Merchandising Trends:
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Exclusive Report:
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Inside Pharmacy:
PPOs and buying groups help indy's battle chains—p.59

DRUG STORE NEWS®

Vol. 8/No. 22 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. October 13, 1986

Dave Eisenberg (center) accepts REX large chain award from *DrSN* editor Bruce Buckley (left), as publisher Jay Forbes looks on.

Phil Weinstein (left), president of Affiliated Drug Stores, presents REX small chain award to Jim Harrison Jr., president of Harco Drug.

And the REX winners are . . .

NEW YORK — More than 500 industry executives turned out for *Drug Store News*' second annual REX Retail Excellence Awards dinner at the Sheraton Center Hotel late last month.

Peoples Drug Stores and Harco Drug won REX Awards as the large and small chains of the year, while Bergen Brunswig was selected as the REX wholesaler of the year.

Other major award winners were Dave Eisenberg, Peoples' executive vp and coo, who was named REX merchandise executive of the year; Procter & Gamble's Crest Tartar Control Formula, REX innovative product of the year; and Hasbro Toys as REX advertiser of the year.

The REX retail and wholesale award winners were chosen in a nationwide poll of manufacturers, while the REX product winners were selected by chain buyers and merchandisers. The special Innovative Product of the Year award winner was the choice of Product Initiatives, the Toronto- and New York-based company that tracks the launch of new products around the country and rates them on the basis of innovation. McGraw-Hill Research chose the REX ad-

See **REX,** *page 88*

Charles Trefrey (left), president of NWDA, congratulates Bergen Brunswig Drug Co. president Phillip Engle (center) as Forbes looks on. Bergen was named REX wholesaler of the year.

Publisher Jay Forbes presents REX merchandiser of the year award to Dave Eisenberg, executive vp and coo of Peoples.

Pay 'n Save hits financial potholes

Takes a loss as strategy changes

By Lou Karney

SEATTLE — While Pay 'n Save is implanting the Zimmerman merchandising strategy into its retrofitted drug stores and fine-tuning the prototype, the fiscal time clock continues to run at a loss.

For the nine months ended Aug. 2, 140-store Pay 'n Save Inc. had a net loss of $23.6 million on sales of $384.3 million. Pay 'n Save returned to the publicly traded ranks less than two years after being acquired by the Trump Group in an LBO.

In the latest quarter, the retailer had a net loss of $12.8 million on sales of $128.8 million.

Al Culver, who wears two hats (as vice-chairman and ceo of Pay 'n Save Drug Stores and president and ceo of Pay 'n Save Inc., which consists of Pay 'n Save Drug stores and Bi-Mart discount drug), told *Drug Store News* there are four reasons why Pay 'n Save is in the loss column:

Four problems

- The high cost of centralizing and expanding distribution facilities as well as improving MIS systems. Pay 'n Save spent $4.4 million during the six months ended May 3, 1986, to refixturize its 350,000-sq.-ft. Auburn distribution center. For the balance of the fis-

See **Pay 'n Save,** *page 88*

Seeks to bolster Southeast presence

Alco woos ole Miss. Co.

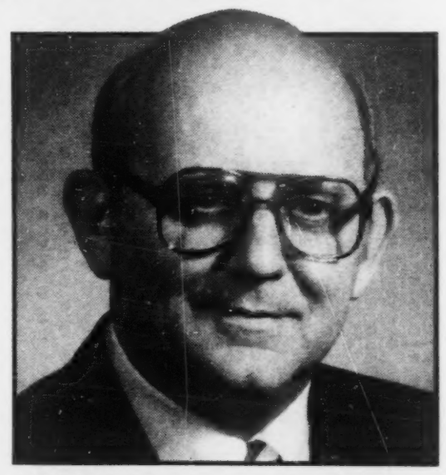
By Al Heller

VALLEY FORGE, Pa. — Alco Health Services, the nation's fourth largest drug wholesaler, will strengthen its Southeastern presence if Mississippi Drug accepts its friendly acquisition offer for nearly $7 million cash.

Alco wants 100% ownership and already holds options for 38% of shares outstanding at the same $70 per share.

The takeover would add the state of Mississippi to the 24-state roster Alco currently serves and would fortify its presence in parts of Alabama, Louisiana and the Florida Panhandle. Alco already cov-

See **Alco,** *page 88*



'We aren't committed to any one geography—only to the wholesale drug business.'

—Joe Churchman,
president, Alco Health Services

K mart plans 250 additional Pay Less stores by 1990

TROY, Mich. — K mart's five-year plan calls for the addition of 250 Pay Less Drug stores by 1990. Currently, Pay Less operates 192 stores and will be operating 220 by the end of 1986.

In making the announcement, K mart did not break down the new stores as to type of format. Although the superdrug store (23,000 and 31,000 sq. ft.) is the bellwether of the Pay Less operation—and will undoubtedly remain so—Pay Less also operates seven downsized Key Drugs, two Value Giants and two Wonder World discount stores.

See **Pay Less,** *page 88*

00026934C
KEVIN KENDRICK DR
CONGRESSIONAL INFO SVC 1FS
4520 EAST WEST HWY STE 800
BESTHESDA MD 20814

LATE NEWS....LATE NEWS....LATE NEWS....LATE NEWS

CINCINNATI — Kroger Co. said it has decided to sell its SupeRx and Hooks drug stores, possibly to a group including current management of both chains in a leveraged buyout. It said it is developing plans to sell the chains "through a series of private transactions." One route being considered is formation of a private company that would include the majority of the drug store assets.

Rx Place plants unit in R.I. chain territory

WARWICK, R.I. — Rx Place, the year-and-a-half-old deep discount venture of F. W. Woolworth, opened its first store here and its third overall this month.

The store is 28,000 sq. ft., including 18,500 sq. ft. selling space, much like the first two in Stratford, N.J., and Levittown, Pa.

Rx Place is the first deep discounter to open here to compete against Rite Aid, CVS, Adams/Brooks, Douglas and K mart—squarely within the stated location strategy of Rx Place president Ken Colson. He told *Drug Store News* earlier that "to be first in a market will be an advantage. There'll eventually be very few places without head-to-head competition in this format."

He may be in for company soon, however. Pharm-Escomptes Jean Coutu is targeting New England for debut of its first five deep discount drug stores in early 1987, tentatively called J. C. Super Drug. Trade sources feel Warwick may be a target market.

First in a year

The new store is the first Rx Place to open in about a year, which is a marked slowing of earlier announced expansion plans to add five stores in 1986 and five in 1987. Colson said the plan was "scaled back for 1986, but will be about on target for 1987. We're working on other locations."

He said Woolworth management is "very satisfied with progress." Colson declined to talk about how Woolworth's capital spending program for specialty store diversification will affect Rx Place.

Woolworth has embarked on an extensive variety store remodeling program and specialty store campaign. It has taken such key categories as cosmetics, costume jewelry, handbags and accessories, picture frames and stationery, and created specialty shops around them. Woolworth appears to have a full plate of specialty shops competing for corporate attention.

On the plus side, Rx Place added a third buyer to its staff this year, which has helped Colson's merchants seek out deals more effectively, he said.

The Warwick store is in a newly developed strip center anchored by a Rickel home center and Kids "R" Us children's specialty apparel shop, near the Rhode Island Mall.

Rx Place eyes about five more stores in 1987, but anticipates head-to-head deep discount competition in some of the northeastern markets it is considering.

Headquarters can supervise

Colson said the store is close enough to headquarters to be supervised properly, and countered trade speculation that Rx Place would initially be limited to the New York-to-Philadelphia belt.

Health & beauty aids and cosmetics account for about 52% of selling space in the store, which has eight IBM scanning checklanes. Colson expects the store to turn 13,000 sku's six times and yield 18% gross margins.

He said the first two stores were close to projections of $350 sales per square foot of selling space, or about $6 million per unit, in their first full year of operation.

NEWS IN BRIEF

VP-marketing Roth leaves Revco

TWINSBURG, Ohio — Neil S. Roth, Revco's vp-marketing, has left after a 14-month tenure.

"All I know is he left for personal reasons to pursue other interests," said Marc Dworkin, executive vp.

Neil S. Roth

Roth was involved in store remerchandising programs that emerged in the past year, as Revco management pursued a leveraged buyout of the business. He reported to president William Edwards.

Roth was president of Carl's Drug when Revco bought the chain in July 1985. In November, Roth was assigned purchasing and marketing responsibilities for Revco stores, and Dworkin was named president of Carl's.

Roth had joined Carl's as president in February 1984, after a year's employment at Revco as an assistant vp-purchasing. Dworkin said no replacement has been named.

S.E.C. eyes Safeway proxy statement

NEW YORK — The Securities and Exchange Commission was set to clear a proxy statement on the buyout of Safeway Stores, after Kohlberg Kravis and Roberts gained 73% of Safeway's common stock in a $69 cash per share tender offer.

In the second half of KK&R's buyout, the proxy materials will be sent to the remaining shareholders, who will vote on a merger of Safeway and SSI Holdings, the company formed by KK&R to own Safeway.

SSI purchased 45 million shares, after 59,842,000 were validly tendered by an Aug. 28 deadline. Remaining shareholders, in an agreement reached with the Safeway Board of Directors in July, will receive subordinated discount debentures of SSI valued at $61.60 a share and one warrant to buy SSI common stock in the new company.

Parties expect the New York investment company, which outbid the Dart Group to buy the supermarket chain, to complete its buyout in November.

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Vol. 8, No. 22 October 13, 1986

Amfac names exec to handle food and distribution groups

SAN FRANCISCO — Amfac Inc., the $2.4 billion wholesaler, has placed its Food and Distribution groups—including its drug operations—under a single executive, as part of a continuing broad reorganization.

Ronald H. Dykehouse, 44, already head of the food group, will also head Distribution, which includes the Amfac Health Care drug wholesale and supply and electrical divisions.

The move follows this summer's reorganization of supply and electrical, sparked by Distribution's income loss in the six months ended June 30.

Dykehouse replaces John E. Gomena as head of the Distribution group. Gomena will be assigned other duties. Del Whitmore continues as president of Amfac Health Care.

Reasons for losses

A spokesman said that earnings drops in supply and electrical accounted for most of the losses of $13 million in the second quarter and $17.26 million in the six months.

But Health Care also posted a second-quarter loss, largely because of costs related to a recent $12 million warehouse computerization. Losses also mounted because gross margins shrank as the division began to shift emphasis toward hospital contracts.

Group revenues were boosted, however, by Health Care's pursuit of new hospital business; the division signed pacts totaling $193 million since last November. They include a recent two-year, $12 million contract with the Sacramento-based Sutter Health Care Systems hospital chain.

But sliding revenues in the electric and supply divisions contributed to a 2% decline in revenues for the quarter to $333 million.

Amfac president Ronald Sloan said he expects Health Care to bounce into the black by the end of the year as the shift into the hospital business begins to pay off.

Warehouse computerization

Amfac Health Care has completed a major installation of a warehouse computer system that employs electronic ordering. Hewlett Packard HP3000 computers were installed by May in locations

See **Amfac,** *page 88*

Walgreens alters purchasing team

DEERFIELD, Ill. — Walgreens has made several key management changes in purchasing under senior vp-marketing Vern Brunner.

George C. Eilers was promoted to the newly created slot of vp-purchasing, reporting to Brunner, from his former post as a regional vp. He will be responsible for the drug and fashion divisions, the company announced.

The need to create this position arose because of Walgreens' "rapid expansion," an official company statement said.

Eilers joined Walgreens 27 years ago and rose through the field ranks until being named a regional vp in 1983.

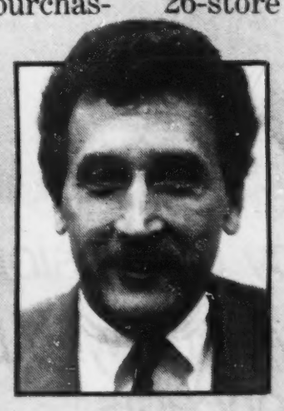
In related moves, Harry A. Friedman was named dmm-housewares, and Mark R. Paul was named toys and sporting goods buyer.

Friedman served most recently as director of corporate purchasing and acquisitions. He also reports to Brunner and replaces Bernie G. Maram, who has assumed responsibility for camera and film purchasing.

Mark R. Paul reports to dmm Richard A. James and replaces Steven L. Lubin, who was named senior cosmetics buyer this summer when Milt Shaw announced his retirement.

Paul had been with Ribordy Drugs since 1963 and came to Walgreens during last year's acquisition of the 26-store chain.

George Eilers



Harry Friedman

Mark Paul

FINANCIAL

Dart Group net drops sharply

LANDOVER, Md. — Dart Group Corp., the firm that sends shivers through management ranks of companies it bids for, hasn't shone in its own earnings corner lately.

Chairman Herbert Haft announced sharply lower net earnings for the second quarter and six months ended July 31. Dart said the lagging results were due primarily to lower earnings at Trak Auto and Crown Books, higher net interest expense and lower unusual items.

Since Dart's Trak Auto bought 50% of Trak West's common stock from Thrifty in June, it became sole owner of Trak West. Trak West's sales and net income are reflected in Dart's figures based on Dart's average ownership during the current year compared to the equity method last year, Dart said.

The Crown Books unit also bought and retired the 2.75 million common shares held by Thrifty, raising Dart's ownership share of Crown to 52.4% from 34.4%. Crown's sales and net income are also reflected in Dart's figures based on Dart's average ownership during the current year, compared with the equity method last year, Dart said.

Net income for the second quarter was $99,000, compared with $6.5 million in the same period a year ago.

Second-quarter revenues rose, however, to $88.2 million, up from $28.6 million.

Earnings also nosedived in the six months to $576,000, down from $8.3 million in the same half a year earlier.

Meanwhile, revenues more than tripled to $168.9 million, up from $53.9 million in the year-ago half.

Rite Aid posts higher profits, sales in 2nd qtr.

SHIREMANSTOWN, Pa. — Rite Aid reported higher net earnings and sales in the second quarter and six months ended Aug. 30.

Sales in the second quarter rose to $422 million, up from $379.1 million in the same period a year earlier.

Earnings in the second quarter climbed to $15 million, compared with $14.1 million a year ago.

Gains were similar in the six month report. Sales climbed to $840.8 million compared with $746.2 million in the year-earlier half.

Net earnings in the first half rose to $31.4 million, up from $28.8 million net from continuing operations a year earlier.

Bergen expects earnings drop in 4th qtr., year

ORANGE, Calif. — Bergen Brunswig said it expects net earnings to be lower and revenues higher for the fourth quarter and year ended Aug. 31.

Chairman and ceo Emil P. Martini Jr. attributed lower earnings to expansion costs during the past 18 months, increased interest costs due to higher borrowing in order to make acquisitions, and an aggregate $6 million in additional LIFO inventory reserve charges, receivable allowances and valuation provisions for inventory, property and equipment.

He also cited lower margins that stemmed from Bergen's decision "not to purchase in the secondary-source market."

Anticipated fourth-quarter net is $5.7 million, compared with $5.9 million in the same period a year ago. The more current figure, however, includes an after-tax gain of about $9 million from the initial public offering of the Commtron Corp. unit.

Revenue in the final quarter was expected to rise to $800 million, up from $680 million in the year-earlier period.

Net earnings for the full year, the company said, should reach about $20.5 million, compared with $23.3 million attained last year.

Revenue for the complete fiscal year should climb to $3.1 billion, up from last year's $2.4 billion.

Perry eyes $50 M to restructure debt

PONTIAC, Mich. — Perry Drug Stores said it is negotiating to place $50 million in 15-year senior notes with a group of institutional investors.

Some of the proceeds of the private placement will be used to pay off short-term lines of credit, as well as revolving debt to various banks.

In a related announcement, Perry said its August sales were up 22% to $58.6 million, from $47.9 million a year ago.

Sales for the first 10 months of the fiscal year are up 26% to $533.8 million, from $424.6 million in the same year-ago period.

Ketchum had net loss on higher sales in qtr.

NORWALK, Conn. — Ketchum & Co., the regional wholesaler, reported a net loss in the quarter ended July 31 compared with earnings in the same period a year ago.

The $366,000 loss in the most recent quarter compared with operating earnings of $99,000 and net earnings of $201,000 in the same quarter a year ago. Last year's net was benefited by tax loss carryforwards.

Meanwhile, sales rose to $79.7 million in the latest quarter, up from $73.5 million in the same year-ago period.

LATE NEWS....LATE NEWS....LATE N

Revco D.S. Inc. said net income declined in the 12-week first quarter ended Aug. 23 to $6.4 million from $9.3 million in the same period last year. Sales for the quarter increased to $627.9 million from $585.5 million. The drug chain said earnings declined because of a "softening in non-pharmacy drug store sales, higher interest charges and reduced contributions from nonretail operations."

Name	Symbol	STOCK PRICE From 09/12/86 - 09/24/86 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Change Pct.	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	56.00	52.50	53.13	.63	1.19	71.25	52.00	4.11	-1.65 s	-29.2	13.3	.84	1.6
Arbor Drugs	ARBR	17.50	15.25	17.50	2.00	12.90	24.25	15.25	.72	.93 n	NC	18.8	.00	.0
Begley Co	BGLY	21.25	21.00	21.00	.00	.00	23.50	16.00	1.27	-.27 q	-20.5	20.0	.72	3.4
Big B	BIGB	16.25	15.13	15.88	-.13	-.78	18.75	12.63	.61	-.03 s	-4.2	23.3	.00	.0
Drug Sys	DRGS	6.00	5.75	6.00	.38	6.67	8.25	3.75	-.36	-.78 q	-100.0	NE	.45	7.5
Fay's Drug	FAY	9.50	9.13	9.25	-.25	-2.63	11.75	8.00	.20	-.32 s	-72.7	77.1	.20	2.2
Genovese Drug	GDX	14.25	13.25	14.00	.88	6.67	16.63	10.00	.73	-.66 s	-60.0	31.8	.20	1.4
Longs Drg Strs	LDG	35.00	32.00	34.00	.75	2.26	38.75	24.75	1.74	-.20 s	-10.4	19.7	.76	2.2
Medicare Glaser	MGCO	4.75	4.25	4.75	.00	.00	5.00	3.50	-.20	-.11 q	NE	NE	.00	.0
Medicine Shoppe	MSII	29.50	26.75	29.50	.50	1.72	32.00	21.25	.84	.15 n	18.8	31.1	.00	.0
Perry Drug	PDS	14.63	12.88	14.25	.38	2.70	20.88	12.75	.98	-.10 n	-11.0	17.6	.22	1.5
Revco Drug	RDS	36.38	35.50	36.25	.25	.69	39.88	24.50	1.72	.66 f	62.3	21.1	.80	2.2
Rite Aid Corp	RAD	30.63	29.00	29.75	-.25	-.83	35.50	21.50	1.52	.09 q	5.6	17.6	.58	1.9
Walgreen Co	WAG	32.00	29.75	31.38	.75	2.45	39.50	22.50	1.53	.14 n	9.2	18.8	.50	1.6
Wholesaler's transactions														
Alco Hlth	AAHS	19.75	19.00	19.25	.25	1.32	25.38	12.75	1.10	.19 n	18.3	15.7	.00	.0
Bergen Bruns	BBCA	22.13	18.13	18.25	-3.88	-17.51	37.25	18.13	1.82	-.26 n	-14.4	11.8	.32	1.8
Bindley Wstn	BIND	10.75	10.38	10.75	.25	2.38	12.50	7.75	.79	.09 s	11.5	12.4	.00	.0
Cardinal Distrb	CDIC	19.25	18.50	18.50	-.25	-1.33	25.25	14.22	1.36	.40 q	40.8	13.4	.08	.4
Durr Fillauer	DUFM	12.13	11.13	12.13	1.00	8.99	16.75	9.25	.78	-.02 s	-2.5	15.3	.16	1.3
Ketchum	KCH	25.50	24.00	25.38	.13	.50	25.50	15.25	.17	-.82 q	-100.0	NE	.00	.0
McKesson Cp	MCK	63.25	57.00	63.25	5.25	9.05	67.00	45.13	3.96	.37 q	10.1	15.7	2.56	4.0
Moore Med	MMD	24.13	22.50	23.50	-.38	-1.57	27.25	17.00	1.45	.23 s	18.3	15.8	.00	.0
Owens & Minor	OBOD	14.50	14.13	14.50	.38	2.65	20.25	13.38	1.14	-.03 s	-2.8	13.8	.30	2.1
Manufacturer's transactions														
Abbott Labs	ABT	45.38	41.50	44.13	1.88	4.44	55.00	26.44	1.94	.32 s	17.8	20.8	.84	1.9
Am Home Prod	AHP	78.75	74.50	76.88	.13	.16	94.88	54.75	4.70	.40 s	8.8	15.6	3.10	4.0
Baxter Travenol	BAX	16.38	15.50	16.13	.00	.00	21.25	12.38	.85	.43 s	238.9	26.4	.40	2.5
Block Drugs Co	BLOCA	25.25	23.50	25.25	.50	2.02	27.50	18.94	1.84	.15 q	8.6	13.4	.50	2.0
Bolar Pharm	BLR	23.38	19.50	21.75	-1.25	-5.43	32.88	12.50	.71	.13 s	18.6	26.2	.05	.2
Bristol-Myers	BMY	74.75	69.63	74.13	1.38	1.89	88.50	53.63	3.86	.24 s	6.6	19.1	2.20	3.0
Carter-Wallace	CAR	68.25	61.25	68.13	4.38	6.86	86.13	33.88	3.63	1.03 q	35.9	17.5	.80	1.2
Forest Labs	FRX	18.38	16.38	18.38	1.75	10.53	22.00	11.56	.49	.15 q	37.5	33.4	.00	.0
ICN Pharm	ICN	21.38	16.63	19.13	-.88	-4.38	34.00	9.75	-2.10	-2.20 s	-100.0	NE	.00	.0
Lilly Eli Co	LLY	70.25	64.38	69.00	4.38	6.77	83.50	19.63	3.69	.39 s	11.1	17.6	1.80	2.6
Lee Pharm	LPH	30.25	23.38	28.63	4.38	18.04	38.63	5.88	.40	1.62 n	450.0	14.5	.00	.0
Leiner P Nutri	PLIN	16.75	15.00	16.75	1.00	6.35	21.00	8.50	.81	.26 q	40.6	18.6	.00	.0
Marion Labs	MKC	39.25	33.50	38.75	2.75	7.64	50.00	15.88	.70	.23 f	48.9	55.4	.20	.5
Merck & Co	MRK	102.75	97.00	102.63	4.25	4.32	116.75	53.00	3.79	.76 s	21.7	24.1	2.20	2.1
Morton Thiokol	MTI	35.50	33.25	34.75	.13	.36	40.50	30.00	2.80	.30 f	12.0	12.4	.70	2.0
Mylan Labs	MYL	13.00	10.25	12.25	.25	2.08	18.09	9.00	.57	.24 q	63.2	19.8	.07	.6
Newport Pharm	NWPH	7.00	6.38	6.50	.13	1.96	14.50	4.88	-.10	-.03 q	NE	NE	.80	12.3
Par Pharm	PARP	14.50	13.25	14.00	-.50	-3.45	20.25	13.25	.47	.13 n	27.7	23.3	.00	.0
Pfizer Inc	PFE	61.13	56.50	60.38	1.63	2.77	72.88	43.75	3.44	.39 s	11.9	16.5	1.64	2.7
Robins, AH	QRAH	10.13	9.38	9.75	-.25	-2.50	15.63	7.13	2.53	20.85 s	NE	3.6	.00	.0
Rorer Group	ROR	45.38	40.50	42.50	1.63	3.98	47.50	32.50	1.72	5.00 s	240.4	6.0	1.12	2.6
Scherer RP Co	SCHC	18.00	16.63	17.00	.38	2.26	20.25	11.50	-1.23	-.66 q	NE	NE	.32	1.9
Scher Plough	SGP	77.25	69.50	75.50	3.50	4.86	88.00	47.50	3.77	.44 s	12.3	18.8	1.80	2.4
Squibb Corp	SQB	106.25	98.50	105.00	5.63	5.66	124.13	67.00	4.20	.86 s	22.3	22.2	2.00	1.9
Sterling Drug	STY	44.75	41.50	43.75	.50	1.16	52.00	31.38	1.83	-.48 s	-19.6	22.2	1.32	3.0
Syntex Corp	SYN	63.00	58.88	62.00	3.38	5.76	74.75	31.25	3.07	-1.58 f	-34.0	20.2	1.60	2.6
Thompson Med	TM	13.75	12.75	13.25	.38	2.91	21.00	11.75	1.18	-.44 s	-29.1	12.4	.40	3.0
Upjohn Co	UPJ	88.50	83.00	88.00	3.88	4.61	103.75	54.00	3.29	.93 s	34.4	24.2	1.52	1.7
Warner-Lambrt	WLA	57.13	53.13	56.13	2.88	5.40	63.13	33.75	-4.05	-6.15 s	-100.0	NE	1.56	2.8
Zenith Labs	ZEN	9.88	8.38	9.50	-.13	-1.30	18.31	8.00	.73	.42 s	135.5	13.0	.05	.5

All data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.
q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISING TRENDS

Stylers and color lead contenders for growth in hair care

The hair care category will grow an estimated 6% in dollar sales to about $3.5 billion in 1986, according to A. C. Nielsen and manufacturer estimates.

Most of the growth is coming from three major subsegments:

- Hair stylers and fixatives, especially gels, glazes and directional and nondirectional hair sprays.
- Ethnic hair care products, particularly gels, moisturizers and other conditioning and styling aids, and hair coloring products like Clairol's Color Play and Soft Sheen's Color Accents.
- Hair coloring, particularly 1) The special effects group of highlighting products like L'Oreal's Brush-On Soft Color Highlights, Clairol's Frost & Tip and Revlon's Frost & Glow; 2) The semipermanent rinses like Clairol's Loving Care and L'Oreal's Avantage; and 3) The new nontraditional special effect coloring agents, sometimes termed the hair color without commitment category, made up right now of just Clairol's Pazazz and Vidal Sassoon's Colorific.

The nontraditional special effects category is new to hair care, introduced to the market in late 1985, and although initial trial sales have been tremendous, there is the possibility that the category may peak soon, just as mousse has peaked.

Several sources are predicting, however, that the dramatic growth the industry has seen in these brands since they were introduced earlier this year may soon start to level off or even decline.

Shampoo/conditioner sales flat

The two biggest segments within the category, shampoos and conditioners, are basically flat, and retailers and most manufacturers predict that these segments, which may have reached their peak in consumption and usage levels, will stay flat or, if they do grow, do so at the same rate the general population grows.

Usage levels for shampoos and conditioners are highest with consumers under 30, and that is causing some manufacturers to speculate that as the Baby Boom population ma-

Continued on page 22

MERCHANDISING TRENDS

Budget items show fastest growth in shampoos

Continued from page 21

tures, these two segments may again start showing stronger growth trends.

David Drum, vp-marketing for Lamaur, which makes Perma Soft and Style, pointed out that their research on consumer usage and consumption shows that consumers 30 years old and younger shampoo their hair 5.4 times a week. Those currently 55 and over, however, are shampooing just 1.8 times a week.

Drum thinks that as the younger population ages, they will keep their shampooing habits, so that over the long term, he expects to see an increase in the total volume of shampoo sales.

At Alberto-Culver, however, the estimate for future growth is less optimistic. Jim O'Connor, an Alberto spokesman, said he feels the incidence of use won't change that dramatically over time and pointed out that just about everyone who is a candidate for using shampoos is already using them.

He does think, however, that there may be an opportunity for growth in the conditioning segment.

"The usage figures on shampoos show that more than 95% of the population is already using them," he said. "There are a lot of men, however, who don't use conditioners and who are not aware of the benefits of conditioning, so we may see some strong growth there down the line."

Shampoo consumption

It's also possible that unit and dollar sales growth figures on shampoos don't tell the full story. Drum of Lamaur pointed out that on an ounce-by-ounce measurement, consumption is up about 5%.

The fastest growing segment in shampoos, he said, is the low-priced or budget segment of the category, and shampoos in this category generally sell in 15-oz. or 18-oz. sizes, compared with the average 12-oz. size of sales in the mid- and premium-priced segments.

Drum also thinks shampoo sales in salons, an untracked market, are growing and estimates that if one could get a decent measurement on salon shampoo sales, their growth would be up about 5% in units and maybe 8%-9% in dollars.

"More gals are visiting salons," he pointed out, "and more gals seem to be buying shampoos and conditioners there."

Midpriced brands losing share

In the mass market retail outlets, however, the midpriced segment of the market—those brands selling for between 20¢ and 29¢ an ounce—are down in both unit and dollar sales.

The competitive nature of the shampoo category, sources say, is causing shares to shift to the low end—those brands selling for between 11¢ and 19¢ an ounce. More recently, sales have begun increasing in the premium-end segment—brands selling for 30¢ an ounce and more.

Drum estimated that in terms of unit share, the low-priced segment has gone from about 50% of sales in 1985 to about 60% in 1986.

Both buyers and manufacturers say they see budget- and low-priced brands doing particularly well with the 30 and older market, while the younger shopper seems more inclined to buy premium brands.

As one source put it, "Younger shoppers are more interested in trying the premium brands that promise to deliver a better performance, but apparently as one grows older, one comes to the conclusion that all shampoos are basically alike, and then people seem to choose the brands that they feel give them the best value for their dollars."

The emphasis on low-priced brands in the last few years, however, has taken most of the profitability out of the catego-

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Manufacturers and retailers both say the consumer who wants to be "with it" in 1986 and 1987 will be using more products to shape, style and condition her hair.

1986 Hair care launches make headway in market

Company	Category	Brand	Quarterly launch date	Comments
Helene Curtis	*Shampoos/conditioners/ styling aids*	*Finesse NutriCare*	*1st '86*	Gel base, especially good for dry, processed or overconditioned, overstyled hair.
Procter & Gamble	*Shampoos/conditioners*	*Ivory*	*3rd '86*	Reformulating and repackaging two-year-old Ivory shampoo with "silicone"; launching industry's first "unscented" formulas.
Gillette	*Hair styling aids*	*Mink Difference*	*3rd '86*	Includes a mousse, gel and the industry's first liquid stylizer.
	Men's grooming/ styling aids	*Dry Look*	*3rd '86*	A mousse and gel extension to the Dry Look hair spray line. $5.7 million ad/promotion budget.
International Playtex	*Shampoos/conditioners/ styling*	*Jhirmack Lite*	*1st '86*	Positioned as a "light" formula for people with active lifestyles who shampoo each day.
Lamaur	*Styling*	*Style*	*3rd '86*	On a cost-per-ounce basis, Lamaur claims it will be the lowest-priced product on the market.
Alberto-Culver	*Shampoo/conditioner*	*Alberto-Culver Natural Silk*	*2nd '86*	Premium-priced and made with real silk for shinier, softer hair. Available in drug and department stores only.
	Styling	*Alberto*	*2nd '86*	A styling spray, fixing gel and a gelee targeted to 14- to 16-year-old users. Ads placed in major teen magazines.
	Ethnic	*TCB Lite*	*3rd '86*	Moisturizers, conditioners, styling aids in nongreasy forms.
Faberge	*Styling*	*Aqua Net Designing Hair*	*3rd '86*	Faberge's first nonaerosol spray. Will have a multimillion marketing program, stressing Aqua Net name.
	Men's Grooming	*Brut Professional Hair Spray*	*3rd '86*	Print ads and tie-ins to Brut's overall mention in new Sylvester Stallone movie *Over the Top*.
	Shampoos/conditioners	*Aqua Net line*	*1st '86*	First shampoo, conditioner and styling aids line with natural silk.
	Shampoos/conditioners	*Jose Eber Beverly Hills Hair*	*4th '86*	Premium-priced line introducing the formulas of Hollywood hairstylist Jose Eber to the mass market.
Conair	*Shampoo/conditioners*	*Jheri Redding Ultra Look*	*4th '84*	Extending the Jheri Redding brand into the specialty shampoo/conditioner category plus into hand and body lotion category.
	Styling	*Jheri Redding*	*3rd '86*	Introducing first designer directional spritz to the mass market.
	Styling sprays	*Conair*	*3rd '86*	Conair's first nonaerosol sprays, also one of the first to use PABA sunscreen as a key ingredient.
L'Oreal	*Styling aids*	*Studio Line*	*1st '86*	First line of styling aids to be packaged as a regimen of products.
	Hair Color	*Brush On Soft Color Highlighters*	*2nd '86*	The first hair highlighter made specifically for dark hair.
S. C. Johnson	*L'envie*	*Shampoos/ Conditioners*	*1st '86*	Introduced five premium-priced shampoos and conditioners targeted toward women who like popular designer fragrances.
Clairol	*Hair color with styling aid (mousse)*	*Pazazz*	*2nd '86*	Industry's second temporary hairlighter or special-effect coloring aid. Also gives hair volume like a mousse.
Vidal Sassoon (div. of P & G)	*Color*	*Colorific*	*1st '86*	First special effects hair coloring to add temporary cosmetic color. Also marketed as a styling aid, both a mousse and gel.
Richardson/Vicks (div. of P & G)	*Shampoos/conditioners*	*Pantene*	*2nd '86*	Relaunches Pantene, lowers overall suggested retail prices.
Dep	*Shampoo/conditioner*	*Dep*	*1st '86*	Targeted toward users with permed or colored hair.
Revlon	*Shampoo/conditioners/ styling*	*Sun & Sport*	*2nd '86*	Geared to men and women with active lifestyles.

Source: *Drug Store News* Review of New Product Introductions, 1986.

MERCHANDISING TRENDS

Jury out on vendors target-marketing shampoos

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ry, both for retailers and manufacturers. Shampoos today have become a commodity, some sources say, and that means that shoppers have been trained to buy just what's on sale, whatever is offered at the lowest price, as long as it's known to be of reasonable quality.

Now the manufacturers of the premium-priced brands and the retailers who have seen their margins eroding in this category are attempting to change all that.

Push for premium brands

Beginning in mid-1986, retailers say they have been giving more space to premium-priced brands, both in line and on endcaps and floor displays, and some chains are also starting to advertise the upscale brands like L'Envie, Jhirmack and Pantene to attract shoppers who are interested in department store quality.

S. C. Johnson's Bob Ziegenhagen, category manager of hair care products, said that in the past few months, premium brands have been growing in unit sales, partly because of increased manufacturer activity in this segment and partly because retailers have been giving more shelf and feature space to premiums in their stores.

He also pointed out that because premiums usually sell in smaller sizes, consumers tend to use up their purchases faster, so they come back to their stores more often to repurchase.

Ziegenhagen, like Steve Manenti, the president of Faberge, and Kim Rue, Finesse's brand manager at Helene Curtis, said that retailers are supporting premiums more today because they are searching for ways to make the volume shampoo category more profitable.

Premiums deliver

According to a recent S. C. Johnson retail store audit, chains are currently making about a 93¢ profit on every premium brand they sell, compared with just 66¢ for the midpriced brands and 24¢ for the low-priced brands they sell.

"Not only can we make more money with the premium-priced brands and do something to reverse this trend to commoditizing the category," said a Walgreen manager, "we can also attract shoppers who prefer to buy their shampoos in department stores or salons."

Target-marketing shampoos

Back in 1984, manufacturers found another strategy for rescuing the shampoo category from its commodity status, but the jury is still out on whether this strategy is working.

The trend is to develop a shampoo and conditioner that is targeted toward a specialized base of users. The dandruff shampoo manufacturers were the first to exploit this trend with Head and Shoulders, Selsen and such, as was Johnson and Johnson with its J & J Baby Shampoo. But back in 1984, Lamaur came out with Perma Soft, targeted toward women with permed hair, while J & J brought out Affinity, targeted toward women 40 and older.

Helene Curtis brought out Atune, again for women with permed hair as well as for those with colored hair, and P & G brought out Lilt, also targeted toward the permed market. Shulton came out with Ultra Swim, a brand designed for swimmers who have to cope with chlorine or sun-bleached hair.

L'Envie strategy

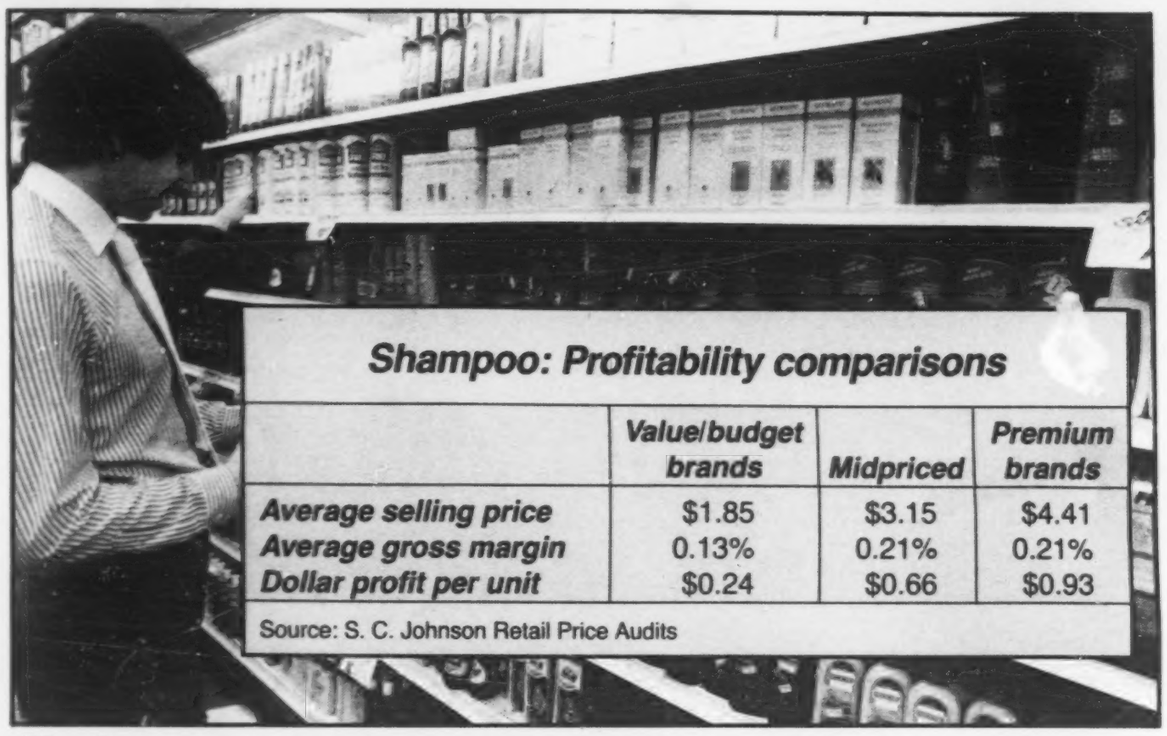
In 1986, S. C. Johnson has taken the segment-targeting strategy one step further by introducing L'Envie, a premium-priced brand designed to appeal to women who favor the fragrances of Opium, Giorgio, White Linen, Vanderbilt and, most recently, Obsession.

Retailers say L'Envie is doing quite well in their stores, especially the Giorgio version. However, the performance of the specialty brands has been mixed, with some like Perma Soft doing relatively well and others like Atune and Lilt not even reaching half a share point.

The result is that manufacturers are not sure how much of a future there will be in specialty market shampoos.

At Helene Curtis, Kim Rue, group brand manager for Finesse, said that segmentation logically works best when the targeted user base is large enough to support the brands in the targeted specialty category.

"If you have a large base of potential users such as people with dry hair or permed hair," said Rue, "then it makes sense to do specialty marketing. But if your base is too small or specialized, then it doesn't make sense.



Shampoo: Profitability comparisons

	Value/budget brands	Midpriced	Premium brands
Average selling price	$1.85	$3.15	$4.41
Average gross margin	0.13%	0.21%	0.21%
Dollar profit per unit	$0.24	$0.66	$0.93

Source: S. C. Johnson Retail Price Audits

The shampoo category will grow about 4% in dollar sales in 1986, but retailers say they expect better growth from the high-end and low-end brands.

Jose Eber
Beverly Hills Hair

In 1987, however, sales in the premium-priced specialty segment may get an additional boost when Faberge introduces its new line of Jose Eber Beverly Hills Hair.

The Eber line is aimed at those women who now buy their shampoos in salons or department stores. Faberge president Manenti believes the $3.5 million that Faberge will spend in national print and spot TV to support the launch will create add-on sales for the category in chain drug and select independent drug stores.

Manenti figures the brand and its advertising will help persuade the salon and department store shampoo buyer to switch to the Jose Eber line, as it will be sold in the more accessible chain drug and select high-volume independent stores, as well as in key mass merchandise outlets.

Manenti also pointed out that Jose Eber is a nationally recognized personality, known to millions of women as the "hair stylist of the stars."

Jhirmack launches
Lite formulas

At Jhirmack, the latest products are a line of Lite Shampoos, conditioners and mousses introduced in March for the heavy hair care user or the person with an active lifestyle who needs to shampoo and condition more frequently during the week.

Jhirmack is promoting the line with rebate and trial purchase cents-off coupons being distributed in freestanding inserts and at point of sale. More than $4.5 million is being spent on consumer advertising in 1986 to support the launch, and Jhirmack says about $12 million will be spent on the line in 1987.

Conair is also bringing out a new line extension under the Jheri Redding label, targeted toward women with bleached or colored hair.

The line, which is being shipped now under the Jheri Redding Ultra Look label, consists of six items, including four hand and body lotions and a shampoo and conditioner.

Styling aids

Currently, the strongest growth areas in the hair care category are the styling aids, primarily because of the astonishing growth in the relatively low-volume gel category, but also because of good growth in hair sprays and the possibility of some more moderate growth in mousse, which is leveling off after three explosive growth years.

Hair styling products: Estimated '87 unit growth trends

Segment	'85 growth	'86 est. growth	'87 est. growth
Hair sprays	6%	5%	6%
Mousse	200%	15%	2%
Gels	n.a.	107%	50%

Source: Manufacturer estimates

The mousse category, which wasn't even around three years ago, has today become a commodity segment. Like its sister segment, shampoos, the mousse category's profitability has been hurt by the rapid introduction of so many low-priced or budget brand sku's.

Although this category has definitely started to peak after two years of dramatic growth, sales will not be flat in 1986, according to manufacturers.

L'Oreal is estimating that the category will still be up some 10% to 15%, to between $205 million and $215 million in 1986.

Some manufacturers, however, think the category will be flat in 1987, or at best, generate perhaps 5% growth.

According to Drum of Lamaur, about 40% of all American women now use a mousse, and he doubts whether the usage patterns or frequency of usage will go much higher.

At L'Oreal, Arne Zimmerman, senior vp and general manager of L'Oreal's hair care division, said the category is so young that it's difficult to make reasonable estimates about possible peak usage, but he agrees that consumption could be peaking.

"Hair sprays," he said, "are now used by about 47% of all women, and I just don't know if mousse will ever be that developed. Right now the incidence of use, according to our num-

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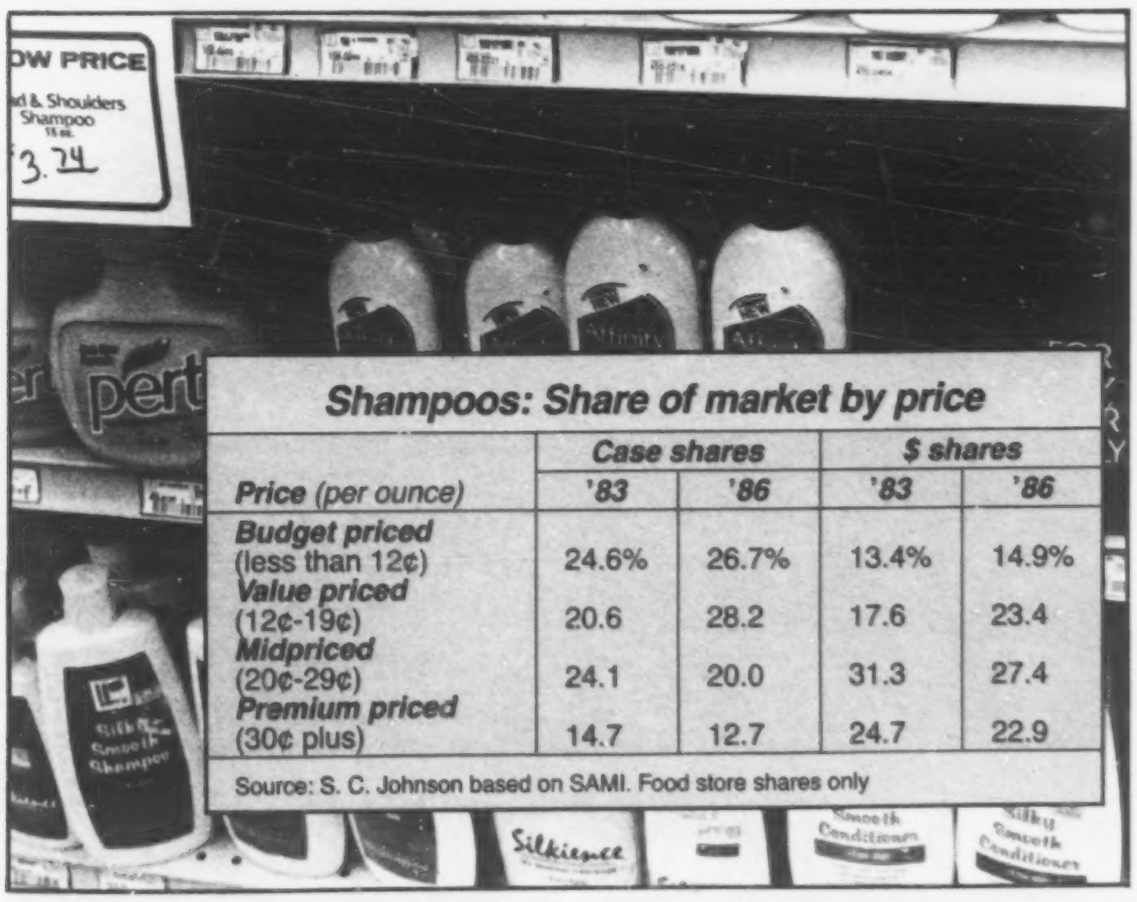

Shampoos: Share of market by price

Price (per ounce)	Case shares '83	Case shares '86	$ shares '83	$ shares '86
Budget priced (less than 12¢)	24.6%	26.7%	13.4%	14.9%
Value priced (12¢-19¢)	20.6	28.2	17.6	23.4
Midpriced (20¢-29¢)	24.1	20.0	31.3	27.4
Premium priced (30¢ plus)	14.7	12.7	24.7	22.9

Source: S. C. Johnson based on SAMI. Food store shares only

To try to squeeze some additional growth out of a category at peak consumer consumption and usage levels, manufacturers targeted their brands to specific hair care needs. The strategy has been only partially successful, sources say.

Shampoo use high in under-30 bracket

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bers, is about 37% of all women."

Mousees profitability update

However, Zimmerman thinks that something can be done to rescue the category from its loss of profitability.

In late summer, L'Oreal announced it was rolling back its prices on Free Hold by 25%. To encourage retailers to mark down prices on product already in the pipeline, L'Oreal was also issuing a credit for all product already on the shelf or in retail or wholesale warehouses.

At presstime, Zimmerman was estimating that the strategy would at least double the movement on the Free Hold brand, and he was hoping that the recent decision by so many retailers to pare back their sku's in the cateogry and to carry just the brands doing 80% of the business would eliminate the excess inventories now in the pipeline and help restore the category to its old profitability.

Drug store ads featuring branded hair care products

Brand	'84	'85
Flex	1,464	1,251
Ivory	543	1,054
Vidal Sassoon	1,240	1,005
Suave	759	868
Finesse	773	794
Jhirmack	867	776
Halsa	n.a.	524

Source: Majers Corp.

Mousse inventories too high

"Mousse inventories right now are sky high," he said. "Retailers today, trying to keep up with the growth we saw in 1985 and 1984, now have 4-ft. sections for mousse, and they're carrying 25 and 30 brands and more.

"Well now, they're beginning to cut back to the five or six brands that do 80% of the business, as we've been encouraging them to do.

"As they start to weed out, the turns will go up, and the inventories will come back in line. If they maintain the mid-priced levels that are out there now and resist the temptation to stock so many low-priced brands, profits in this category should stabilize again."

In 1986, gels, an underdeveloped category that used to consist primarily of two major brands, Dippity-Do and Dep, has begun to take off, much as mousse took off in mid- to late 1984 after L'Oreal introduced Free Hold.

According to John La Douceur, product manager of Jhirmack, sales in the gel category will increase a dramatic 107% to about $60 million in 1986, compared with about $29 in 1985.

L'Oreal is also estimating that gel sales will grow more than 100% to about $60 million for 1986. If unit sales continue to grow at the same year-to-date rate, L'Oreal estimates that unit sales in 1986 could be up 55% to 18 million units.

Although 1984 and earlier year sales in the gel category were not available to *Drug Store News*, manufacturers estimate that sales in this segment prior to 1986 were basically flat.

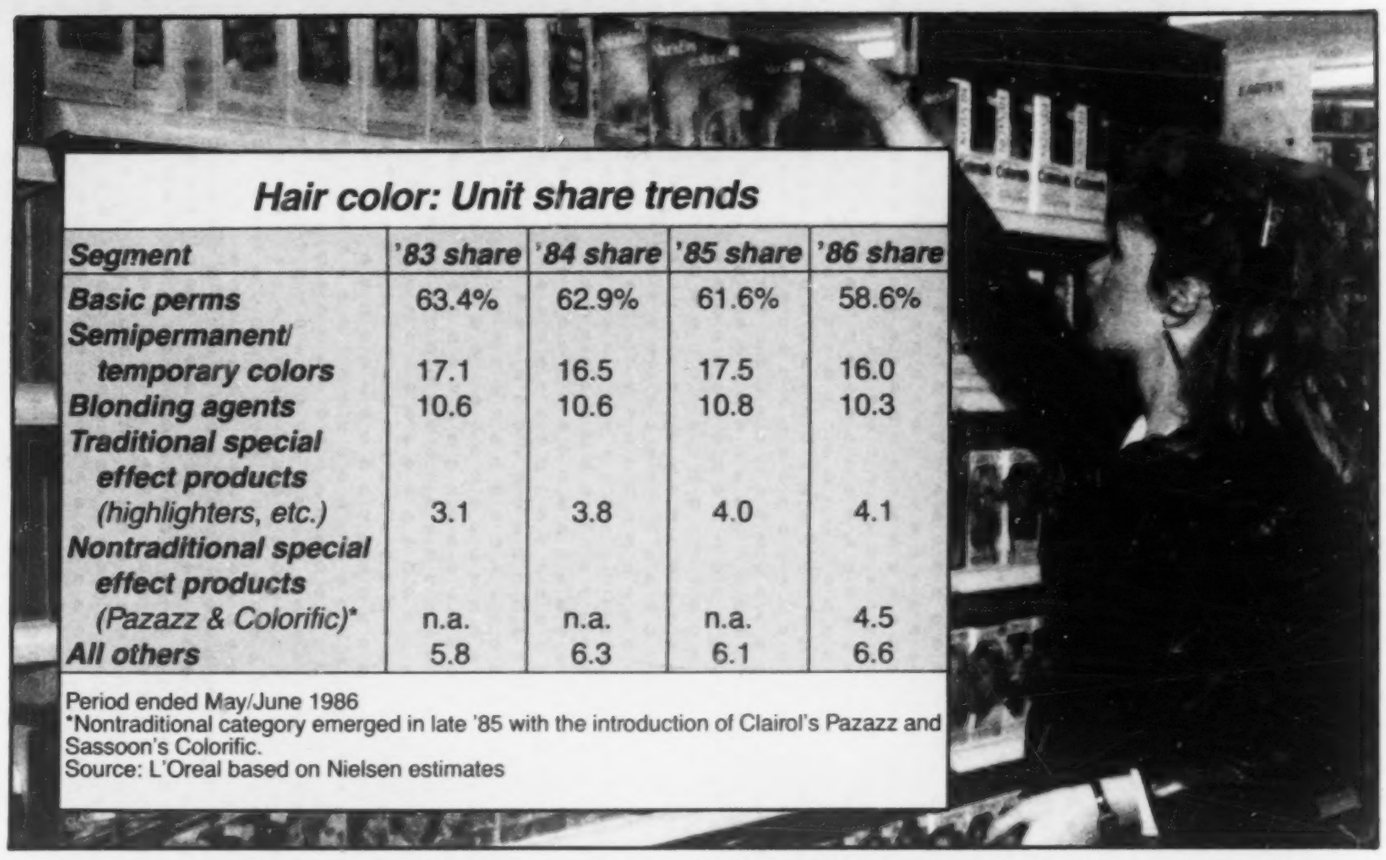
According to manufacturers, the new surge in gel and hair spray sales is directly related to the success that mousse has enjoyed in the past three years.

Instead of destroying the hair spray category, as many manufacturers feared might happen, mousse has revived the consumer's interest in that category and drawn many new users into the gel segment.

The trend is being helped by manufacturers like L'Oreal, Faberge, Gillette, Alberto Culver, Conair and others who are introducing new gels and sprays.

L'Oreal, in fact, is about to introduce the styling category's first creme under its Studio Line brand. Cremes have the hold of a gel and the body of a mousse. L'Oreal believes the time is right for cremes to catch on in the States, as they have already in Europe.

Conair is in the process of rolling out the first spritz hair spray for the mass market. Spritzes have been popular in salons, especially the Sebastini Spritz, but the Jheri Redding Directional Design Spritz that is rolling out now in conjunction with the Jheri Redding Designing and Finishing Spray is the first spritz that consumers will be able to find in drug and mass merchandise stores.



Hair color: Unit share trends

Segment	'83 share	'84 share	'85 share	'86 share
Basic perms	63.4%	62.9%	61.6%	58.6%
Semipermanent/ temporary colors	17.1	16.5	17.5	16.0
Blonding agents	10.6	10.6	10.8	10.3
Traditional special effect products (highlighters, etc.)	3.1	3.8	4.0	4.1
Nontraditional special effect products (Pazazz & Colorific)*	n.a.	n.a.	n.a.	4.5
All others	5.8	6.3	6.1	6.6

Period ended May/June 1986
*Nontraditional category emerged in late '85 with the introduction of Clairol's Pazazz and Sassoon's Colorific.
Source: L'Oreal based on Nielsen estimates

The hair color category should grow an estimated 10% in 1986, to about $450 million. Part of the success will come from new special effects brands like Pazazz and Colorific.

At Conair's $2.79 suggested retail price, the brand will sell at about one-third the price of the salon spritzes.

Jaime Morozowski, director of marketing for Conair's Consumer Toiletries Division, said retailers can expect to see 'many more hair care styling products making the transition from salon to mass market distribution."

Most of these new contemporary gels and sprays are being marketed and merchandised as styling aids, in effect a family or regimen of products designed to handle all the various hair styling needs of today's consumer.

L'Oreal's Studio Line of a gel, mousse and directional spray was the first to debut as a family of styling aids and retailers report that sales have been strong.

According to L'Oreal, the May/June Nielsen's tracking shows that the Studio Line gel was the No. 1 selling sku in drug stores for that category. And although the line was only introduced in February, the Nielsen's already shows the Studio Line mousse has a 2.1 unit share of sales.

At Gillette, where the company is now introducing a line of styling aids under the Mink Difference brand, the strategy is to price the three individual sku's in the line—the mousse, gel and liquid stylizer—at parity with Gillette's well-established Mink Difference hair spray, to encourage multiple purchases.

Gillette's $2.08 price to the trade is designed to ensure everyday retails for the four sku's of under $3. Retailers say they will take advantage of the pricing to create ads that feature all four brands at one common price point. They add that they will build multiple displays for the line on in-store endcaps.

Helene Curtis' Rue said almost all the growth in gels is being fueled by the new brands that are currently being funneled into the consumer pipeline.

"There have been so many entries into this segment since the beginning of the year that you're seeing the same phenomenon that happened with mousse when it first came out. The segment is getting lots of trial," Rue said.

Rue added, however, that retailers can expect the gel segment to flatten out eventually just as mousse did, "once people have tried the brands and the novelty of the segment has worn off."

"Unlike shampoos or conditioners," Rue said "gel is not a 'need-driven' category."

Rue thinks retailers can expect to see strong growth in this segment for perhaps another year; then she expects the category to begin to flatten, as mousse is flattening.

L'Oreal management is projecting that unit sales of gels

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MERCHANDISING TRENDS

Special effects enliven hair coloring segment

Continued from page 25

will still grow at least 50% in 1987, but there are no estimates beyond that.

Lamaur's Drum also thinks that gels will peak, probably during the course of the next year.

Unlike shampoos, which most women use, gels are used now by just 15%-17% of women and he thinks maximum penetration will never go much higher than 25%.

"At its peak, gels will probably be an $80 million to $90 million category," he said. At the rate of growth that gels are currently experiencing, they could easily hit that plateau in 1987.

Growth in hair sprays

Hair sprays will probably deliver a steadier growth trend line, because they are getting much less trial than gels or mousse and they have a strong base of loyal, traditional users.

There is much less novelty use in this category. It's not a new segment like mousse and gels. It just has a more contemporary thrust, as the new directional nonaerosol sprays and the spot use of such sprays indicate.

L'Oreal's refinement of the Nielsen estimates pinpoint hair sprays as a $525 million category, which should be up 16% in 1986.

Drum pointed out that growth could be stronger, because the hair sprays really only started taking off in the fall of 1985.

According to Faberge, which has the No. 1 unit share in aerosol sprays with Aqua Net (33% share in May/June 1986), aerosols dominate the category with a 64% dollar share. But the growth is coming almost equally from both segments: aerosols and nonaerosols.

Faberge is conservatively estimating that aerosols will be up at least 7% in 1986, as they were in 1985, while the nonaerosols should grow at least 5%, as they did in 1985.

That would mean aerosols should total about $336 million in sales in 1986, while nonaerosols should reach $189 million.

Growth in hair color

After the styling aids, the next strongest growth area in the hair care category is color. According to L'Oreal, total sales of hair coloring products will be up at least 10% in 1986 to $425 million-$450 million and might even increase as much as 12%, depending on what happens to the nontraditional special effects category being pioneered by Clairol's Pazazz and Vidal Sassoon's Colorific.

The traditional segments of the markets, permanent colors and temporary or semi-permanent colors, are showing moderate growth trends. The dramatic growth in this segment, however, is coming from what A. C. Nielsen and manufacturers define as the special effects categories: the traditional special effect segments like highlighters, frosting and sun-in products and the nontraditional special effects products, currently consisting of Pazazz and Colorific.

Like the gels and mousses, the nontraditional special effects segment is getting tremendous trial as consumers explore this new coloring option. Whether sales will continue to climb after the novelty wears off is debatable.

Some manufacturers of traditional hair coloring products are afraid users will be disappointed in the category, because the colors can rub off on the skin and stain clothes. These sources fear that the young shopper, who is the prime target for Pazazz and Colorific, will try these new shades for their fashionability but will later be turned off as they find the colors run when wet or can stain. Such disillusionment at this stage might condition users, as they grow older, to reject hair coloring products in general. That, of course, would hurt future sales of the traditional colors, including the highlighters, the semi-perms and the permanent colors.

According to the latest Nielsen's tracking, Colorific, which just finished its third Nielsen two-month period, has a 57% share of the nontraditional special effects market. Pazazz, which is in its second Nielsen period, has a 43% share. In terms of total hair care, Colorific has a current 3.7% share, while Pazazz has a 2.8% share.

One manufacturer, however, pointed out that in the May/June Nielsen's, Colorific's third period, dollar sales were down 12% from the prior period, while unit sales were down 7.5% Whether that trend is an aberration or an indication of things to come is not clear yet.

New users fueling growth

Jean Hansen, director of Clairol's hair color division, said the growth in hair color is coming from new users of the nontraditionals and from new users of the more traditional special effects products, such as the highlighting brands and frosting kits.

"There's a new fashion trend in hair coloring," she said. "Women are beginning to view their hair as a vehicle for making a fashion statement, and color has become a fashion accessory.

Permanent colors

According to L'Oreal, basic permanent colors now have a 58.6% unit year-to-date share of all hair coloring products sold through food and drug outlets. In drug outlets alone, permanent hair colors have a 56.3% unit share.

Total unit sales for the basic permanent colors are up 3% in food and drug outlets for the May/June year-to-date period, compared with declines of 5%, 3% and 4% in 1985, 1984, and 1983 respectively.

Semi-permanent colors

The semi-permanent hair colors, which last only through four to six shampoos, are now at a 16% share of market, according to L'Oreal's reading of the latest Nielsen's, and are growing at an estimated unit rate of about 5% in 1986.

In 1985, the semi-permanent or temporary colors were up 3% in unit sales, compared with a 5% decline in 1984.

Traditional special effects

The traditional special effect category, which is made up of brands like L'Oreal's Brush on Softcolor Highlighters; Clairol's Frost & Tip, Quiet Touch and Light Effects; and Revlon's Frost & Glow, now have a 4.1% share of unit year-to-date sales, according to L'Oreal and Nielsen.

This category, which grew at 19% and 13% in 1984 and 1983, respectively, should be up at least 6% in 1986 after flattening out slightly in 1985.

Blonding agents

Blonding agents, which have a 10.3% category share, should be up 3% in 1986 after three years of unit sales declines.

Home permanents

According to L'Oreal, the latest Nielson's tracking also shows that home permanents continue to be a flat category. However, dollar sales declines in 1986 may be much milder than they were in 1985, when the cateogry declined 8% to $130 million. In 1986, L'Oreal is estimating the category will be down 1%, to about $129 million.

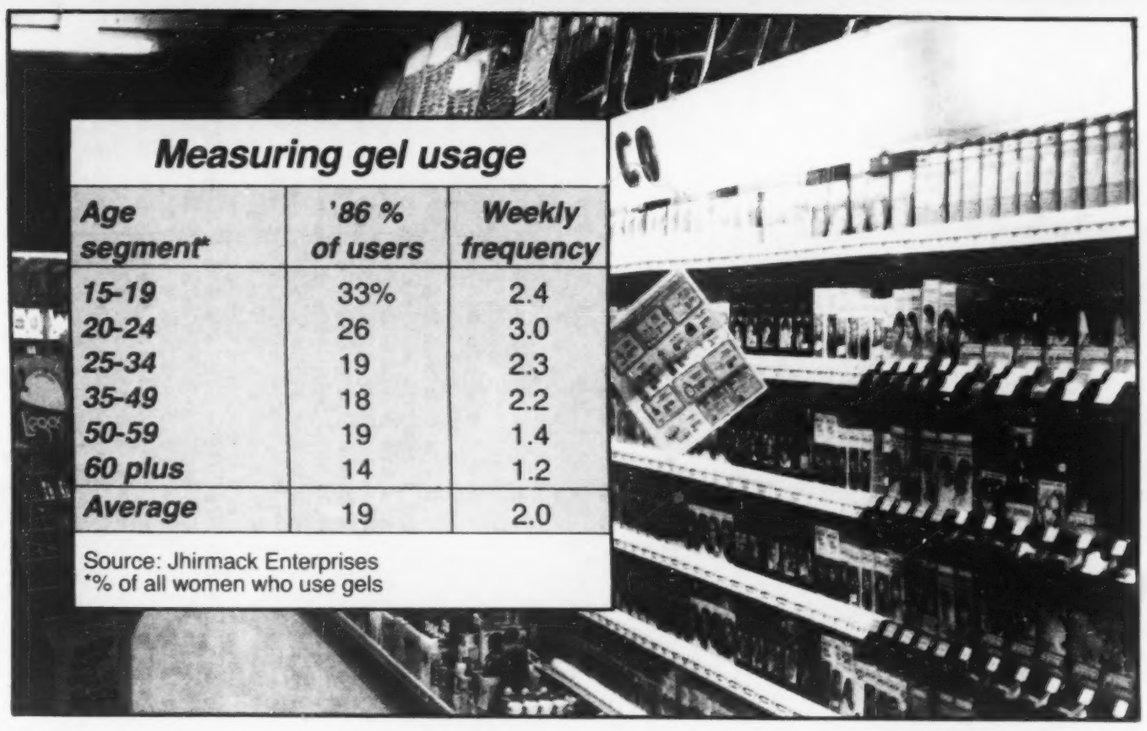
However, the latest Nielsen's shows that dollar sales of home permanents in drug store outlets alone were down 10% for the May/June period, while unit sales for that period were down 12%, so the estimated 1% decline for 1986 could be too optimistic.

Manufacturers have been reducing their media advertising in this category since 1983, and that trend is expected to continue in 1987.

Men's hair care

Faberge president Manenti estimates that the total men's hair care market, which now consists primarily of hair sprays, gels, mousse and other styling aids, may hit the $150 million point in 1986.

Manenti said the category is growing in dollar sales at a rate of about 8% a year.



Measuring gel usage

Age segment*	'86 % of users	Weekly frequency
15-19	33%	2.4
20-24	26	3.0
25-34	19	2.3
35-49	18	2.2
50-59	19	1.4
60 plus	14	1.2
Average	19	2.0

Source: Jhirmack Enterprises
*% of all women who use gels

Although mousse sales have started to peak, the category's success has led to a revival in all hair styling products, including gels, cremes and sprays.

Drug stores paring mousse assortments

Drug store retailers are cutting back on their mousse assortments to free up space for gels, glazes, cremes and other products that fall into the hair styling classification.

Retailers say that with mousse sales leveling out and sales for gels and other styling products doubling in volume, the logical thing to do is merchandise all the hair styling, body building and sheen products as part of a styling department.

The chains who are leading the way in creating hair styling sections include Walgreens, Perry, Begley, Peoples and Page Drug.

Mousses with temporary color are also being placed in the styling sections (or cross-merchandised here and with color).

Jim Kyle, the toiletries buyer at Page Drug, said products that are making the transition from salon to retail shelves, such as spritzes, a French pump styling spray that can be used on wet or dry hair, have tremendous potential for future sales.

Conair is in the process of launching the first spritz for the mass merchandise retail market, but Kyle has already been selling spritzes made for the beauty salon market that he secures through a local beauty wholesaler.

Buyers say the spritz category is great because it does not steal volume from other styling aids such as hair sprays.

Hair spray sales, in fact, are also growing, largely because of what buyers say is the new trend toward "a more styled look" for contemporary hair.

Mousse use

Age segment	'85	'86
15-19	66%	67%
20-24	48	61
25-34	41	54
35-49	35	47
50-59	30	39
60 plus	14	20
Average	36	43

Source: Jhirmack Enterprises

Mousse: Weekly frequency

Age segment	'85	'86
15-19	3.6	3.7
20-24	3.0	3.1
25-34	2.9	3.0
35-49	3.2	2.8
50-59	2.2	2.4
60 plus	1.7	2.1
Average	2.9	2.9

Source: Jhirmack Enterprises

MERCHANDISING TRENDS

Retailers wash slow-turners right out of their hair

Drug store retailers are hoping to offset flat growth in key hair care segments by paring back slow-turning sku's in some categories such as mousse and shampoos/conditioners, while adding more high ticket-higher margin premium brands wherever feasible.

Retailers say they appreciate the success they've achieved using the low-budget priced shampoos and mousses to build traffic and turns, but that the head-banging on discounted prices and on featured ads has gotten to the point that it's virtually impossible for them to make much money selling mousses and the high volume shampoos.

"Just when you think prices can't get lower, you do a price check on the competition and you have to go lower," said Maxine Merrifield, Perry Drug Store buyer.

"The customer has been trained to buy whatever is on sale," Bill Pories, vp merchandise manager OTC, health and beauty aids and cosmetics for Peoples Drug Stores, pointed out.

Low prices turn sales

The emphasis on price in shampoos has made lower-priced, under $2.25 brands popular. Suave, for example, has about a 7.2% share, Ivory commands a 4.4% share and White Rain, a relatively new contender, already has snared a 2.1% share.

According to Salomon Brothers research, the price/value segment already produces 21% of dollar sales and 25% of unit movement with the potential of reaching 30%.

Drug chains say they adore the turns yielded by these brisk sellers. However, many are seeking to augment price/value with a pricier option: prestige lines.

Many of these lines are items which have trickled down from salons. Others are new entries by savvy vendors who want to capitalize on drug stores' need to separate itself from the competition.

Prestige lines impact

Chains such as Perry and Peoples are carving more space out of departments for upscale brands which carry price tags of $3 and up.

The most mentioned brands include: Neutrogena, Sassoon, Jhirmack, Jheri Redding, Pantene, Infusiom, Australian Three Minute Miracle and two relatively new contenders, S. C. Johnson's L'Envie and Alberto-Culver's Natural Silk.

Since these items carry higher prices and are often not carried by competitors, drug stores can reap margins as high as 40%, vs. the 15% generated by price/value sku's.

Ralph Kinder, buyer for Begley Drug, said these items give drug stores a leg up on competition. "Alberto claims Natural Silk will not be sold to discounters, so that gives us an edge."

Other successful brands such as Pantene and Infusium had a history in department stores or salons, buyers said.

Another brand being grouped into the prestige area without a salon start is S. C. Johnson's L'Envie. It capitalizes on its scents that resemble expensive perfumes such as Opium and Giorgio. An Obsession-inspired shampoo and conditioner will debut shortly.

"L'Envie has been good, but we're not going to keep carrying all of the 10 sku's," offered Kim Taylor, buyer for Thayer Pharmacies in Stoughton, Mass. "We'll keep the fastest sellers like the Giorgio version."

Keeping mix current

Editing the shampoo and conditioner mix is an ongoing balancing act for buyers who must wrestle with a never-ending flow of launches and line extensions. To make room for the prestige subsection, buyers say they are reducing duplicate sku's, eliminating medium sizes and weeding out slow movers. Planograms are being reset as often as three times a year and ranking is being done by using item movement and gross profit data.

According to A. C. Nielsen, the average department is 71 linear feet. And, buyers say, it will not get bigger to house new items.

"We're not seeing the new product frenzy of 1984 when you had Dimension, HDR, Atune and Perma Soft," said one buyer, "but we still wind up dropping 38 sku's to add 38 new ones almost everytime.

Cutting sku's

In the shampoo business, sources added, a shampoo that doesn't shine within six months probably won't escape the next planogram cut.

Even mega-budget advertising budgets do not guarantee success anymore as witnessed by the $25 million spent on HDR. The marketing strategy of segmenting such as Atune and Perma Soft has not been overwhelming either, buyers noted.

Dandruff shampoos, however, have carved a nice niche at 20% of the market.

Another subsegment emerging is a knockoff concept borrowed from the fragrance strategy of "if you like so and so . . . try so and so." One of the first companies to try this in hair care is Amitee with its Salon Image line of shampoos inspired by salon items such as Lamaur's Apple Pectin and Nexxus.

"We're seeing more of this and it could be the next big thing since it has worked so well in cosmetics," said Nerrifield Kinder at Begley said he also does well with Nexxus-inspired Jackkies.

Kyle, however, passed up these brands.

"If Nexxus won't sell me, why should I sell something that compared itself to it? That tells my customer that there is something out there better and why would I want to do that?" he concluded.

Hair Care: Share of dollar sales by retail outlets
(mass market outlets only)

Retail outlet	'85 share	'86 share
Chain drug	32.2%	31.7%
Independents	6.0	6.6
Total drug outlets	38.2	38.3
Food stores	42.1	42.7
Mass merchandise stores	19.7	19.0

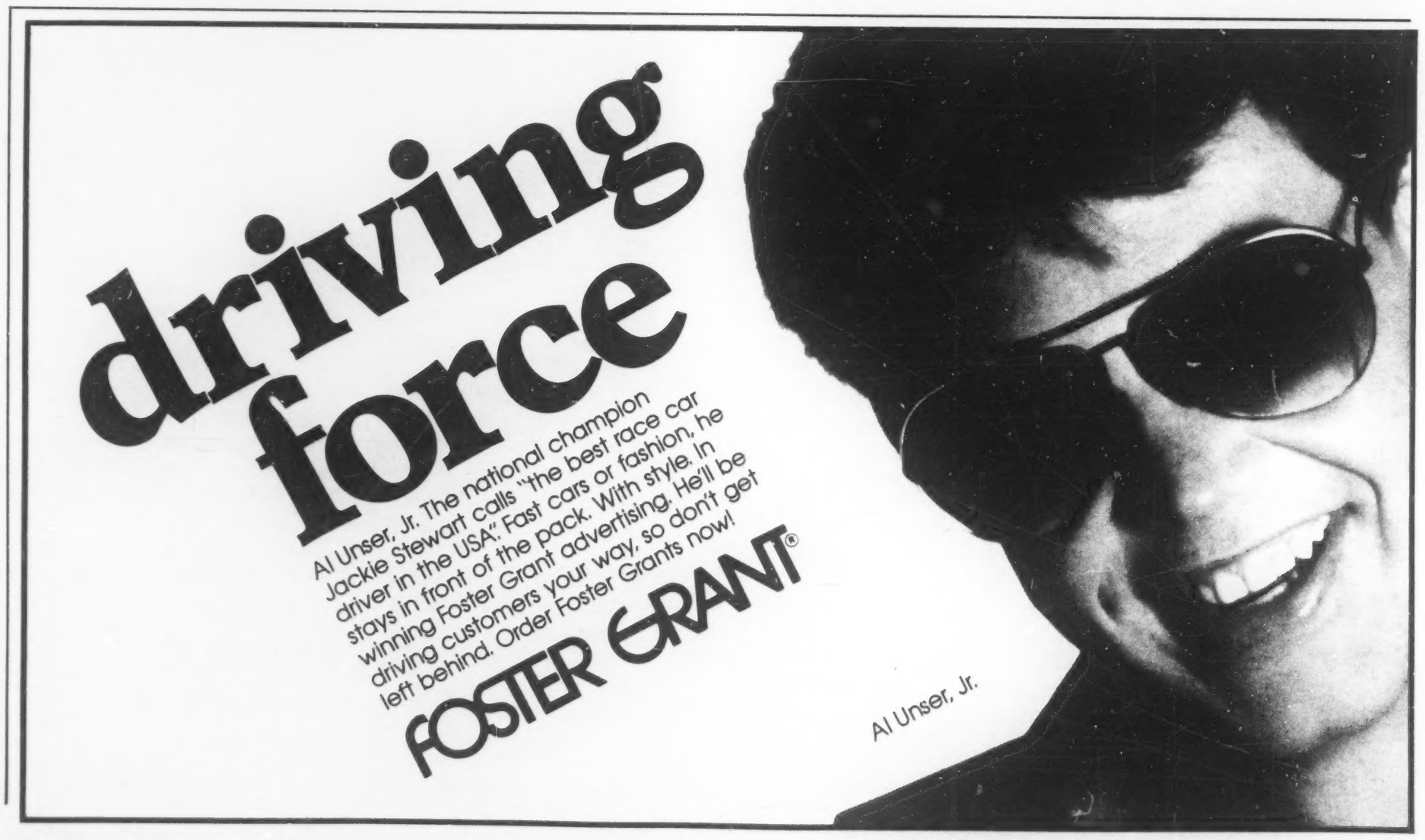
Source: A. C. Nielsen and *Drug Store News* 1986 estimates

Retailers say they plan to give premium-priced shampoos like Vidal Sassoon, Jhirmack, Jheri Redding, Finesse and L'Envie more space in 1986-87. The reason: higher ticket sales and bottom-line profitability.

Hair care: Retail $ sales by segment
(in millions)

Segment	'84	% change	'85	% change	'86	% change
Shampoos*	$1,149	4.7%	$1,140	(0.8)%	$1,145	4.0%
Conditioners*	628	2.2	633	0.8	639	0.9
Hair sprays**	420	8.3	450	8.0	525	16.0
Hair color**	410	3.0	410	0.0	450	10.0
Ethnic***	249	4.0	266	7.0	293	10.0
Mousse**	60	n.a.	189	215.0	215	15.0
Home perms**	141	3.0	130	(8.0)	129	(1.0)
Gels*	n.a.	n.a	29	n.a.	60	107.0
Total	$3,057	6.0	$3,247	6.5	$3,426	5.6

Source: *Jhirmack Enterprises based on Nielsen estimates of food, drug and mas merchandise stores.
**L'Oreal Inc. based on Nielsen estimates of food and drug stores only.
***Drug Store News and Nielsen estimates.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MERCHANDISING TRENDS

Juice-added beverages make profits sparkle

Introductions attract new consumers

Incremental sales from juice-added soft drinks are fueling 5% to 10% beverage sales growth at drug chains.

SupeRx, Eckerd and Begley Drug are among chains logging growth largely from new soft drink customers attracted by juice ingredients. Most chains promote conventional sodas as traffic builders, but others, such as Revco and Gray Drug Fair, are also capturing customers for the juice-added products by using in-store signage, and trial-size displays.

"I think the juice-added drinks are bringing in new people who maybe didn't drink soft drinks before. We're not losing sales of other lines," said Peter Agostino, Eckerd's merchandising manager for tobacco, food and beverages. With soft drink sales up 10% in 1985, Eckerd has added a second everyday soft drink endcap display to its 5- to 15-ft. in-line section, and 5 ft. of cold drinks, in its convenience food departments.

Broad appeal

The juice-added line extensions—notably those of Coke and Pepsi, who have claimed the widest distribution so far, have had broad appeal throughout markets where tastes and assortment vary. In attracting the nutrition- and health-conscious customer, their sales in Eckerd's 15-state trading zone have grown as a percentage of total sales, said Agostino.

Eckerd experiences "dramatic" flavor preference variations from region to region and city to city, Agostino added.

Eckerd's Hispanic customer, for example, leans toward fruit punch flavors, blacks favor grape flavors, diet drinks sell best in upscale neighborhoods, and high school neighborhoods support sales of sugared drinks and cherry flavors.

To cope with this variety, Eckerd store managers work with bottlers to pick the assortment. Agostino dictates the package sizes sold and the general store layout plan.

SupeRx, logging 3% to 4% soft drink sales growth annually, similarly leaves assortment selection to regional and district managers, who use a conceptual planogram of 12 ft. to 20 ft., said SupeRx merchandise manager Dave Coleman.

Not enough space

"You will see the juice-added segment grow. But we don't have space to carry it all," said Coleman, who is awaiting a shakeout among the flood of new juice-added drinks.

Gray Drug Fair is promoting the juice-added line with shelf signs advertising 2-liter bottles of Pepsi's Slice as "value-added with 10% juice" at $1.19. Dump bins of Slice 10-oz. sizes at three-for-89¢ are positioned in front of pharmacy near the checkout.

Revco in some stores has put bins of 10-oz. Slice and 10-oz. Coke samples at 29¢ each next to its rear-of-store convenience food section, where warm drinks are also displayed in-line.

Chains continue to emphasize vendor's regular, diet and decaffeinated lines in newspapers and in coupon books, using soft drinks as traffic builders.

Begley recently advertised 12-oz. canned 6-packs of Pepsi and Coke products in weekly newspaper inserts. In coupon books, Begley features Coke 2-liter bottles and Pepsi 12-oz. 12-packs on the book covers.

Prices are at cost or slightly above to beat supermarket competition, said Begley buyer Mark Tipton.

Expects more growth

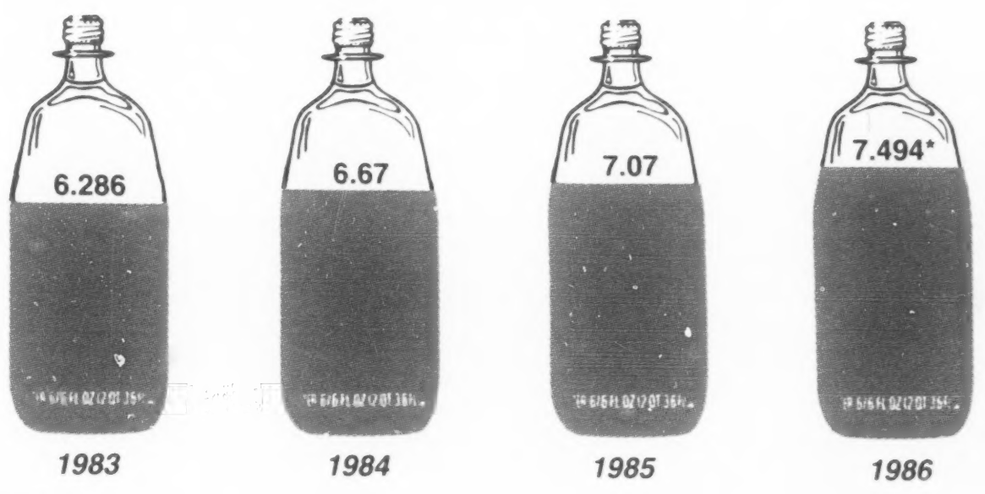
"We've seen a nice increase in sales in the past few years, and we see more growth coming," said Tipton.

Begley limits its sku's by carrying only Pepsi and Coke lines in 16- and 24-ft. runs located adjacent to snacks and candy at the front.

Revco recently launched once-a-month tabloid soft drink ads in a traffic-building strategy, with prices at or near cost.

Carbonated soft drink sales

(Sales measured in billions of cases of 24 8-oz. containers)



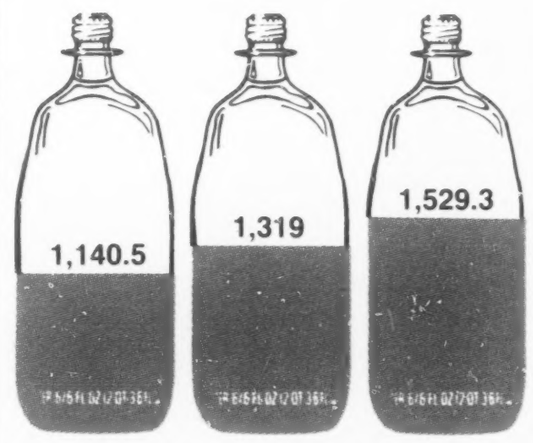
*estimated

Manufacturers' sales of carbonated soft drinks should grow by 6% in 1986, matching the growth rates of recent years.

Source: John Maxwell, beverage analyst with Furman, Selz, Mayer, Dietz and Birney

Diet drink sales bubble up

(Diet drinks sales in millions of cases)



Manufacturers' sales of diet drinks have outstripped overall beverage sales growth, increasing 15.7% from 1983 to 1984 and 15.9% from 1984 to 1985.

Source: John Maxwell, beverage analyst

Beverages boast nutritional punch

Vendors launched a bevy of new value-added beverages after Pepsi captured 1.3% of the soft drink market in 1985 with its juice-added Slice drink.

Vendors are chasing new customers, who have accounted for 50% of juice-added sales. Also vying for shelf-space are new vitamin-fortified drinks, and a drink by Royal Crown that ups the juice content as high as 25%, according to Beverage Industry magazine.

Meanwhile, experiments in new packaging flopped. Coke's test market of a giant four-liter bottle fell flat in Memphis. Coke put development of a plastic see-through can on hold, when recycling problems arose due to the can's two-metal construction, which included an aluminum top and bottom.

New drink entries include:

- Coca Cola's new Minute Maid 10%-juice drink, which achieved national distribution this year, with two flavors, in diet and regular. Coke also advertised vitamin content on the package.
- Coke replaced Tab regular, with Tab with calcium in January, aimed at women's nutritional needs.
- Sunkist last fall launched Sunkist Plus, and Diet Sunkist Plus, 10% juice drinks.
- 7 Up's Citrus 7, in diet and regular, broke out in 20 test markets this year.
- Procter & Gamble reformulated its Crush line, injecting 10% juice.
- Royal Crown, at summer's end, unveiled Nehi Froot, with 25% juice.
- The Squirt Co., of Holland, Mich., last fall offered Diet Squirt Plus, a vitamin-fortified drink.

A Hook's store in New Palestine, Ind., sets fast-growing coolers on an endcap next to displays of some of the leading beer brands, where traffic is assured. It also seeks a big $2.99 ticket on soft drink sales by endcapping stacks of 12-pack cans. The strategies increase volume and convey value.

MERCHANDISING TRENDS

Stylish cigarette launches light up retail sales

Retailers snub slow movers to tally gains

Strategies by cigarette manufacturers to chase sales by introducing new styles will increase pressure on drug retailers to boot out the slowest movers—fast—in order to maintain turns.

The proliferation of new styles that marked 1985, when style types increased by 25% to 250, was just the first wave of new cigarette offerings. Vendors have already launched a new barrage this year, with new brands propelled into national distribution and others being watched in test market.

The price-value segment—the bright light of 1985, an otherwise flat sales year—is sparking the most interest, following the success of such brands as R. J. Reynolds' Century and Brown and Williamson's Richland cigarettes. As of July, Century held 1.1% of the market, and Richland had over 0.5%.

Branded not neglected

But branded and full-flavor cigarettes, which maintain strong sales in drug stores, are not being neglected either in the rush to introduce new products. "We think they have a long and healthy future," noted one tobacco company executive.

Drug store retailers say nonstop proliferation creates many problems in managing the category: Fixtures are overburdened and can't hold the 25-size packs, price segmentation complicates accounting and the pressure to monitor movement is heightened.

Customers are increasingly divided between the brand-loyal and value-driven, because of continual price hikes.

The branded generic cigarettes have prospered by filling the middle ground—offering prices at 10% to 20% below branded, plus a brand image, with packaging upgraded from the standard nondescript generic pack.

Branded generics

Liggett and Myers, a major generic supplier with its Quality Lights, is leaning hard in this direction with what it calls "upscale" generic or "second generation" generic. "There is a willingness by smokers to go to a lower-priced brand. But the consumer wants something more than plain black and white," said L&M spokeswoman Carol Jova. L&M as a result has recently launched five branded generics in test market: Total, Frontier, Filter Deluxe, Flavor Deluxe and Quality Deluxe.

Philip Morris has mounted a challenge to Doral, R.J.R.'s branded generic, with Cambridge, which is in test market in Denver and Des Moines and in the military. It's PM's lowest-price cigarette in four packings.

Brown and Williamson recently introduced Falcon Lights in a test throughout most of Kentucky. It's a branded generic with a suggested retail price at 30¢ to 35¢ a pack below branded.

Vendors are also mounting challenges to Century and Richland, after their success in offering 25 cigarettes for the price of 20.

Philip Morris this year launched Player Light 25's. Brown and Williamson followed Richland with Richland 25 100's in full flavor and light price-value packs, which recently went into national distribution. B&W is now watching Kim 25's, its slim-style, menthol and nonmenthol smokes aimed at women, in tests in Nashville and Hawaii.

Early this year, American Brands went national with its price-value entry: a Pall Mall king-sized nonfilter 25 pack.

Price-value segment

The future looks hopeful for the price-value segment's 25's and generics, after it grew in market share in 1985 from 5.5% to 7.3%. Tobacco analyst John Maxwell has estimated that share grew to 8.6% in June this year, and should climb 1% a year. More cigarette taxes could propel the growth even higher, industry watchers predict.

Meanwhile, overall sales have been flat, with predictions of an annual 1% decline for coming years in the face of consumers' health concerns and price and demographics working against cigarette use.

But vendors are strongly behind new experiments with branded lines. This is a result of consumer demand, they say, and a me-too competitiveness. It also stems from a reluctance to accept low returns on price-value cigarettes, in the view of Lorillard.

"We are not in price value, because there's no profit in that segment. It's just a question of churning units, as we see it at this time," said Lorillard senior vp-sales Richard Orcutt. Lorillard last fall unveiled instead True Gold, in king size, 100's, soft and box, a line-extension of True, with full price.

RJR has followed up its April national launch of the standard-priced Ritz with test markets of two new standard-priced Winstons: Winston Light 100's in a box and Winston Light Kings boxed.

Eli Cutter test marketed

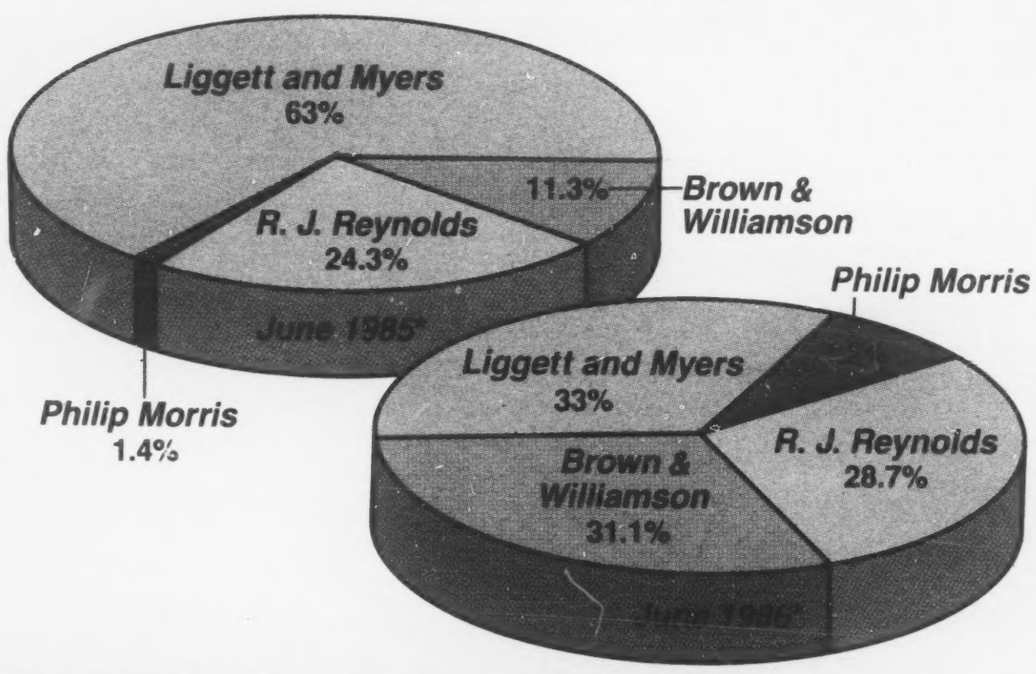
Brown and Williamson is weighing in with Eli Cutter, a full-priced offering in full flavor and light king sized, in test market in towns in Kansas and Oklahoma. Eli Cutter is a new brand name, as opposed to a line extension, B&W's third new name, along with Falcon Lights and Kim.

American Brands, with an old name, launched another kind of first last month when it rolled out Pall Mall unfiltered lights, the first low-tar, low-nicotine cigarette without a filter—with 14mg tar and 1.1mg nicotine. The company put the brand, which it hailed as a major breakthrough, in test market in Providence, R.I.

Industry sources estimate that so far in 1986 about 20 more styles have come on the scene, making merchandising decisions more complex for retailers. Many drug chains have carried 100 to 120 styles in individual stores, to satisfy the needs of the vast majority of their customers. One industry watcher recently estimated that a retailer must now stock 191 different brands and styles to meet the needs of 98% of customers.

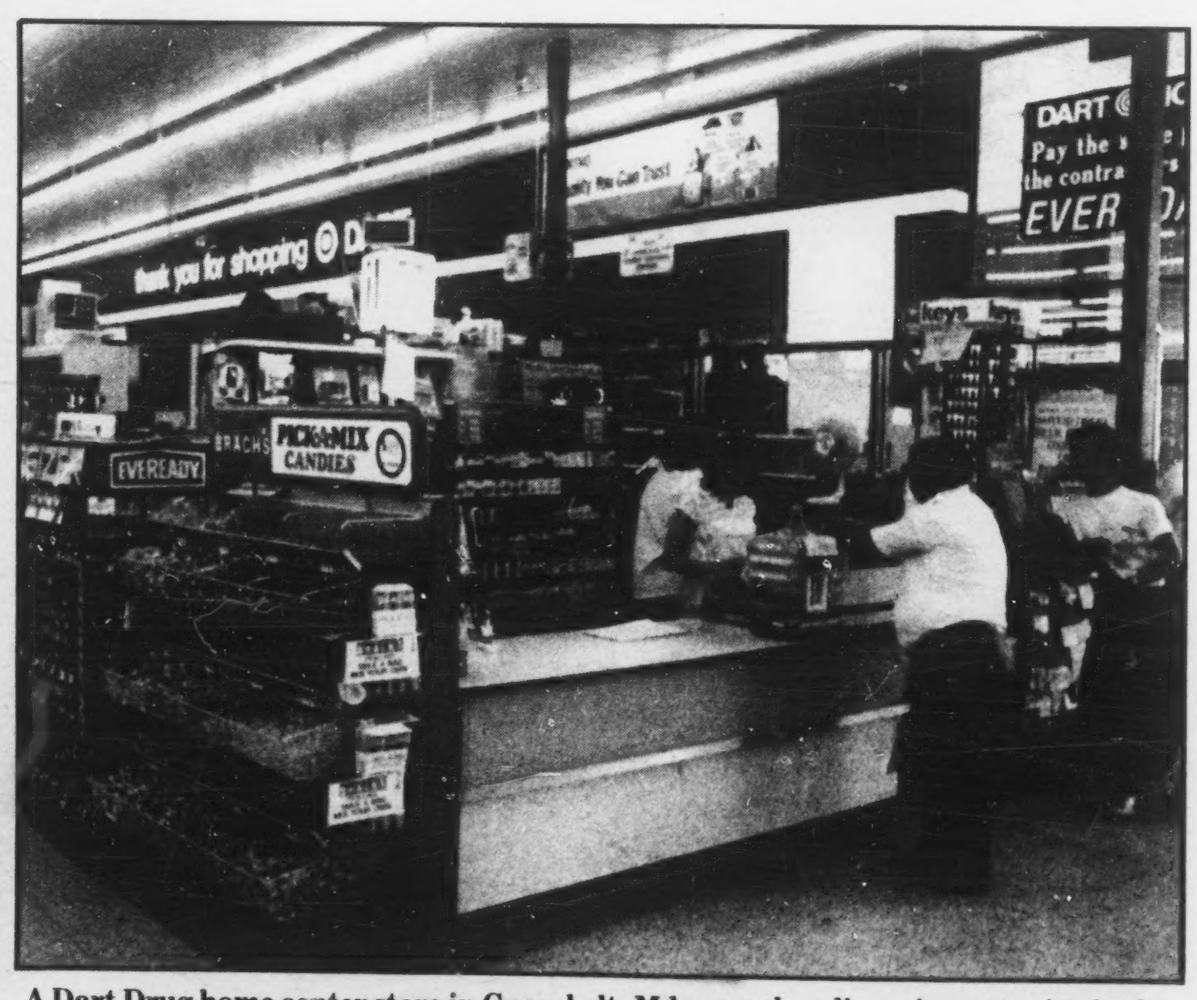
Price-value shares shift

(Percentage of market share in unit sales of generic, branded-generic, and price-value 25 cigarettes.)



*Results based on a 12-month moving comparison to adjust for seasonal fluctuation.
Source: John C. Maxwell Jr., an analyst with Furman, Selz, Mager, Dietz and Birney.

Cigarettes and related tobacco categories are mass displayed to maximize visual impact by front end and photo service counter at a Peoples Drug store in Alexandria, Va.



A Dart Drug home center store in Greenbelt, Md., merchandises cigarettes in single-pack checkstand displays. It is one of just three categories selected for the high-impulse territory, along with batteries and bulk candy.

Allowances help Harco plug tobacco

Harco Drugs is emphasizing tobacco counter displays as a way to get more display dollars from manufacturers and help offset higher inventory costs caused by the proliferation of sku's, said Gerry Thomas, vp-operations.

"We would like to have a fixed investment. But your investment has to increase to support the same business, because the tobacco industry is declining, and their answer is to cannibalize each other," said Thomas.

Thomas said Harco is using counter display allowances that major vendors have recently increased, as they jockey for exposure of their new brands. The chain can't afford to ignore the payments, in the face of flat cigarette sales, he said.

Price has increased

Thomas noted that the flat sales dollars of recent years mean unit movement has actually declined, since the prices have increased. The price for a pack of branded smokes has grown from 80¢ to $1.10 in the past three years.

During that time, Harco has experienced steady growth of such branded generics as RJ Reynolds' Doral and brands by L&M, Thomas said.

"We carry the price value 25's. But I don't see them doing that well," Thomas noted.

Unlike larger chains who can find it profitable to warehouse and distribute cigarettes on their own, the 59-store chain uses five wholesale distributors to supply its stores in Alabama, Mississippi and Florida. With the wholesaler relationship, Harco avoids the high inventory costs, obains security from pilferage and gets twice-a-week order delivery.

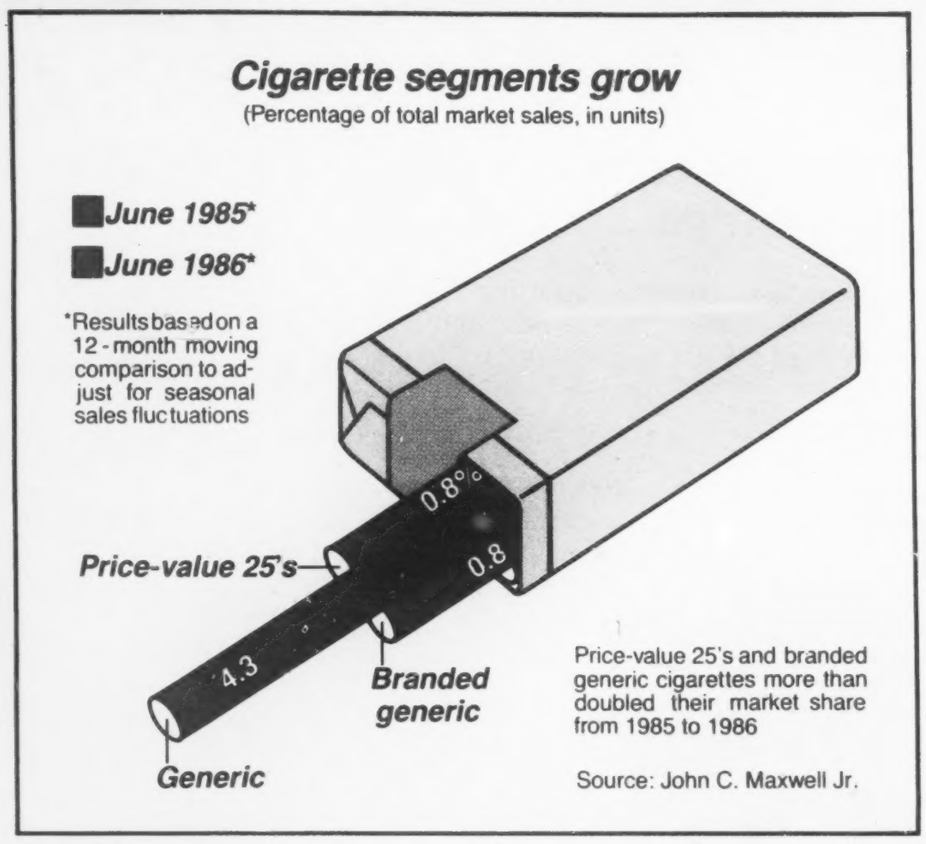
Assortment decisions

Thomas's office decides on assortment based on market share reports, such as those by analyst John Maxwell. But the local store manager has the discretion to carry particular brands that are in demand.

But in managing its planogram, Harco orders its distributors to delete a vendor's brand style when that vendor introduces a new style, to make room in vending cases.

The cases typically accommodate 100 styles, in behind-the-counter locations. Thomas has also recently taken on RJR's new overhead rack for single packs in selected stores.

An in-line display at Rite Aid, Camp Hill, Pa., draws extra traffic to the slow-growth cigar category by pegging popular, high-turn lighters at eye-level.


Cigarette segments grow
(Percentage of total market sales, in units)
June 1985*
June 1986*
*Results based on a 12-month moving comparison to adjust for seasonal sales fluctuations
0.8%
0.8
Price-value 25's
4.3
Branded generic
Generic
Price-value 25's and branded generic cigarettes more than doubled their market share from 1985 to 1986
Source: John C. Maxwell Jr.

This international journalist
will be seen over 250 million times
in weekly magazines, Sunday supplements
and womens' monthly magazines.

This letter will be noticed
by more than 90% of adults
18-49 years old.

When you've been there and back
SURGEON GENERAL'S WARNING: Cigarette Smoke Contains Carbon Monoxide.
TRUE GOLD
THE RIGHT TASTE. RIGHT NOW.

With this exciting new image campaign,
backed by extensive point-of-sale
and consumer promotions, there'll be a
lot of empty True Gold packs around.

Stock up on
True Gold Kings,
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The only business we do is the business you do. We never forget that.

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Read Classified Ads!

INSIDE PHARMACY

Deadline extended for Medicaid plan input

Federal Medicaid officials have agreed to give pharmacists and other interested parties a bit more time to comment on pending proposals to revamp government drug reimbursement rules.

In response to requests from NACDS, NARD, PMA and other groups, the Health Care Financing Administration extended the deadline for comments through Oct. 20.

Whether the extra time will enable pharmacy and industry leaders to reach a consensus on the best reimbursement reform approach is questionable, however.

Right now, there is anything but widespread agreement on H.C.F.A.'s three options: a streamlined version of the current MAC/EAC system; a Pharmacists' Incentive Program (PhIP) offering bonuses to Medicaid pharmacies selecting generics over brand name drugs; and a Competitive Incentive Program (CIP), under which Medicaid pharmacists would be paid their "usual and customary" charge less a government discount (5%-10% for single source products and 25% for generics dispensed in place of higher priced brand name drugs). APhA has already endorsed CIP, but the drug chains want a pure "usual and customary" reimbursement approach without government discounts, and brand name pharmaceutical manufacturers are holding out for the status quo.

* * *

Pharmacy groups concerned

There is general concern among pharmacy groups about one aspect of H.C.F.A.'s proposal: the agency's plan to allow state Medicaid programs to choose their own reimbursement system for drugs regardless of the approach decided on by Federal rule-makers. As proposed by H.C.F.A., states "would be permitted to utilize an alternate drug reimbursement system if aggregate payments under that system would not exceed the upper limits set by the adopted approach." According to officials at NACDS, this "flexibility" undermines one of the drug store industry's key Medicaid reform goals: greater nationwide uniformity in Rx drug reimbursement.

WASHINGTON ALERT

Regulation of pharmaceutical labeling draws fire at seminar

F.D.A.'s regulation of pharmaceutical "labeling" has grown so restrictive that it's choking off legitimate avenues of drug information for pharmacists and physicians, attorneys warned during a recent Food and Drug Law Institute Rx advertising seminar.

Washington, D.C. lawyer Peter Safir told the group that currently, the F.D.A. is interpreting "virtually all written material by a pharmaceutical company as labeling," including manufacturer sales brochures, videotapes, reprints distributed by the sales force and press kits used to support new product launches. Although the agency's regulations supposedly exclude educational materials and activities from the drug labeling requirements, Safir said that the F.D.A.'s interpretation of this exemption is "exceedingly narrow."

However, Safir offered pharmaceutical manufacturers some advice on how to avoid intervention by the F.D.A. The agency, he said, "has generally not raised objections" to articles about drugs published in "single-sponsor publications" (such as *Convention Reporter, Rheumatology Update* and *Gastroenterological News),* even if they are paid for by the pharmaceutical manufacturer. Similarly, "educational symposia" funded by a drug manufacturer but sponsored by a university is not likely to draw an F.D.A. challenge, he said.

F.D.A.'s Young pledges to add 'softgel' to agency's lexicon

The newest word in F.D.A. Commissioner Frank Young's vocabulary is "softgel"—a term coined by the pharmaceutical industry to distinguish between two-piece hardshell capsule dosage forms, which have been the targets of numerous recent tampering incidents, and the newer, more tamper-resistant one-piece soft gelatin capsules. In response to requests from the "Softgel Association"—a group interested in emphasizing the differences between the two dosage forms—Young pledged to help spread the word. "I will make every effort to use the term 'softgel' when referring to the soft gelatin dosage form," he said, "and I will encourage others at F.D.A. to do the same."

* * *

Switches impacting pharmacy

Although the F.D.A.'s campaign to shift prescription drugs to over-the-counter status slowed measurably during the past year, most pharmacists continue to regard the Rx-to-OTC switch as a major influence on their practice. According to a new study released by Schering Laboratories, 57% of the pharmacists surveyed said the transfer of Rx drugs to nonprescription status is having a "decided" impact on pharmacy. Of that group, 29% said the switch is creating "greater freedom to counsel patients more frequently on OTC medications and to use their professional knowledge in making recommendations." Others noted that the shift is also affecting patients, who "now ask more questions in order to become more knowledgeable about OTC medication."

* * *

New Senate bill designed to curb drug diversion

At presstime, Sen. Spark Matsunaga (D-Hawaii) was putting the finishing touches on a new Senate bill designed to curb prescription drug diversion. The new measure, which was expected to be introduced by the last week in September, will be identical to legislation sponsored in the House by Rep. John Dingell (D-Mich.) to restrict manufacturer sampling, bar reimports of U.S.-made drugs, prohibit resales of hospital drugs and set minimum Federal standards for wholesalers.

Aides to Matsunaga told *Drug Store News* that Senate critics of drug diversion do not expect any action on the bill this year. Why then the rush to introduce such legislation in the closing days of the 99th Congress? "We want to make the point that the Senate is concerned about this problem and that the issue will receive attention next year," a spokesman for the Hawaiian Democrat said.

Study finds mail-order costs exceed traditional distribution

SCOTTSDALE, Ariz. — Costs of operating a mail-order prescription program are higher than traditional distribution channels, according to a new study released by Pharmaceutical Card System Inc. (PCS), a third-party program administrator.

The study challenges claims by many in the industry that mail-order saves substantial dollars on long-term maintenance medications.

PCS commissioned the independent actuarial firm of Sieben & Associates to conduct the study. Sieben's study of PCS clients with the mail-order option included claims activity from April 1, 1984, through March 31, 1985.

Although the survey does indicate that a 4% savings in plan costs can be achieved when prescriptions are purchased through the mail compared to community pharmacies, the study also pointed to a 9% higher utilization by mail-order recipients. According to the study, "The net result was that plan costs for the mail-order group was 5% higher than the nonmail-order group."

It was concluded that increased utilization by the mail-order group led to greater "wastage"; that is, a certain per cent of the prescriptions dispensed were not used by the patient.

The study challenged the popular theory that mail-order is most cost effective for groups that cater to senior citizens because these older participants in the program use more long-term maintenance medication.

While seniors may take more medication, the study found that there was a direct correlation between the amount of maintenance medication dispensed to this group and amount of waste due to prescription switching. So, while the group used more maintenance drugs, it was also ordering more frequently, therefore making this age group the least cost effective of any group studied.

It was revealed that in general, the more mail-order was used, the higher the additional cost of the plan because of the increase in number of prescriptions dispensed.

Moreover, the study uncovered that, in those mail-order plans with both 90- and 180-day dispensing limitations, the plans with 180-day maximums had more excess utilization that the 90-day plans. For the purposes of the study, it was assumed that all the plans studied were 90-day plans, and the cost to provider was still 2.7% higher than nonmail-order programs.

The study concluded that drastic reductions in mail-order ingredient cost would not compensate for the increased volumes dispensed, and the only cost savings generated by mail-order plans "go to the patient due to lower deductibles offered as incentives in using a mail-order pharmacy."

"While the unit cost savings in mail-order fills are significant," said the study, "they are more than eliminated by the increased volumes dispensed. These increased volumes represent an acceleration of plan sponsor costs, since there is a prepurchase of future monthly refills; and they increase exposure to the cost of spillage, or wastage, that results from higher patient noncompliance with the therapy or physician modification of the treatment."

After receiving the results, PCS said it undertook two projects to check the findings.

Continued on page 54

Mail-order study

	Mail-order group	Nonmail-orde
Participants		
Sex		
Male	35%	35%
Female	65	65
Age		
Under 50	25%	25%
50-65	45	46
Over 65	30	29
Therapeutic Class		
Cardiovascular	51%	26%
Diuretic	24	17
Antiarthritic	16	17
Incidence of Medication	16%	23%
Average number of tablets discarded	140	28
Total wastage (number of tablets)	6,720	1,932
Most common quantity obtained	180 days	105 days*
Medication Wastage by Age		
Under 50	17%	26%
50-65	13	26
Over 65	20	16
Reasons for Wastage		
Physician changed	57%	82%
Side effects	20	6
No longer needed/ other	23	12

*For Chronic Conditions—Since the majority of mail order prescriptions are for maintenance therapy.

Source: Consumer Data Bureau

Lilly charges HCFA scheme will harm indys

WASHINGTON — The Health Care Financing Administration's scheme to change current Medicaid payments for drugs will "alter the environment of competition to the disadvantage of the independent pharmacist," according to Eli Lilly.

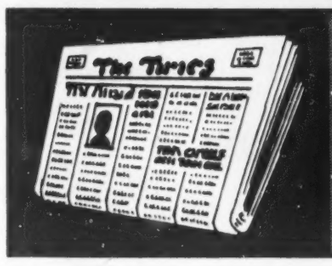
H.C.F.A.'s attempt to establish maximum reimbursement levels for more multiple-source drugs will affect independent pharmacists because they often pay a higher purchase price for drugs than do chains, Lilly said.

The Indiana-based drug maker's remarks came in response to H.C.F.A.'s announcement of the proposed changes early last month. At presstime, other major drug manufacturers and industry associations were still formulating their comments to H.C.F.A.

Lilly also criticized H.C.F.A. for providing incentives in its proposed changes for generic substitution of brand name drugs, "despite the need for more certainty" regarding the "bioequivalence" of multiple-source drugs.

Similarly, Lilly said such incentives "do not take into account that shifting among different manufacturers' drug products may change the dosage the patient receives of the active ingredient," Lilly said.

Additionally, Lilly urged H.C.F.A. to consider how the Drug Price Competition and Patent Term Restoration Act of 1984 "has changed the nature of competition in the pharmaceutical industry. At a minimum, the effects of this new environment should be addressed before a new program is put in place."



NEWS CLIPS

U. of Toronto seeks director for Koffler pharmacy institute

TORONTO — The Faculty of Pharmacy at the University of Toronto is looking for an executive director for the Koffler Institute of Pharmacy Management.

The Koffler Institute is to be constructed on the campus of the University of Toronto. Construction is expected to begin in fall 1987. It will provide pharmacy-related management and business training to undergraduates and graduates not only in the Toronto area, but across Canada.

According to selection committee chairman Donald Perrier, Faculty of Pharmacy dean, candidates will be interviewed at the full professorship level who have master's or doctoral degrees in pharmacy, business administration or related areas. Once chosen, the executive director will also act as the institute's chief operating officer and chairman.

The institute will provide management programs relevant to pharmacy practice for graduates who wish to update management skills and learn new management techniques. It will also conduct research and serve as a resource center for the profession.

Applications should be in by the end of October. Screening will begin immediately thereafter. Interested applicants should send their resume to Dean D. G. Perrier, Faculty of Pharmacy, University of Toronto, Toronto, Ontario M5S 1A1.

Mail-order study aired

Continued from page 50

First it hired another actuarial firm to review the methodology of the original study. The firm suggested that more than one year's data should be used, that demographic factors be studied and that a pre- and post-mail-order study for various groups be undertaken. PCS has begun to act on the recommendations.

Secondly, it hired a marketing research organization to conduct telephone interviews with mail-order and nonmail-order patients in an attempt to verify quantities of medication dispensed with quantities on hand.

The results confirmed the original study. The total wastage for mail-order plans was 3.5 times higher than nonmail order.

On a positive note, the study indicated that there were "potentially large mail-order savings for certain classes of prescription drugs. These classes consist of drugs where the amount of prescription-switching and resulting wastage is relatively low."

While awaiting results from the second research organization, PCS "strongly encourages plan sponsors to limit the dispensing limitation to no more than 90 days." In addition, it encourages "the exclusion of antiarthritics as a drug available under mail-order, as it is obvious that wastage is very high for this class of drug."

In a published statement, PCS suggested that "plan sponsors who do not have a mail-order plan in force now, delay implementation until studies we are having conducted are concluded."

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250 mg., 500's
250 mg., 1000's

SK-Pramine™
brand of imipramine hydrochloride
Tablets
25 mg., 1000's
50 mg., 1000's

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brand of quinidine sulfate
Tablets
200 mg., 500's
200 mg., 1000's

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brand of tetracycline hydrochloride
Capsules
250 mg., 1000's

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brand of tolbutamide
Tablets
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Top 100 OTC Products Ranked

Unit Sales	Dollar Sales	Gross Profit Dollars
1 Fleet Enema regular	Tylenol extra-strength caps 50s	Os-Cal 500mg Tablets 60
2 Chap Stick	B&L Sensitive Eyes Saline 12 oz.	Centrum tabs 100+30
3 B&L Sensitive Eyes saline 12 oz.	Nyquil 6 oz.	Mylanta Liquid 12 oz.
4 Nyquil 6 oz.	Tylenol extra-strength tabs 60s	Tylenol extra-strength caplets 50s
5 Robitussin DM 4 oz.	Actifed tabs 24s	Os-Cal 250mg Tablets 100
6 Tylenol extra-strength caps 50s	Nyquil 10 oz.	B&L Sensitive Eyes saline 12 oz.
7 Visine eye drops ½ oz. plastic	Robitussin DM 4 oz.	Slim Fast powder choc. 16 oz.
8 Actifed tabs 12s	Slim Fast powder choc. 16 oz.	Actifed tabs 24s
9 Mylanta Liquid 12 oz.	Mylanta Liquid 12 oz.	Advil tabs 50s
10 Bayer aspirin 100s	Advil tabs 50s	Nyquil 10 oz.
11 Drixoral tabs 10s	Centrum tabs 100+30	Tylenol extra-strength tabs 60s
12 Maalox Liquid 12 oz.	Tylenol extra-strength tabs 100s	Acutrim tabs 40s
13 Actifed tabs 24s	Maalox Liquid 12 oz.	Flex-Care 12 oz.
14 Tylenol extra-strength tabs 60s	Drixoral tabs 10s	Nyquil 6 oz.
15 Mylanta II Liquid 12 oz.	Anacin 100s	Mylanta II Liquid 12 oz.
16 Tylenol extra-strength tabs 30s	Bausch & Lomb saline solution 12 oz.	Tylenol extra-strength tabs 100s
17 Alka Seltzer Plus 20s	Tylenol extra-strength caplets 50s	Alka Seltzer plus 20s
18 Tylenol extra-strength caps 24s	B&L Sensitive Eyes Saline 8 oz.	Tylenol extra-strength caplets 50s
19 B&L Sensitive Eyes Saline 8 oz.	Acutrim tabs 40s	Robitussin DM 4 oz.
20 Advil tabs 24s	Mylanta II Liquid 12 oz.	Bayer aspirin 100s
21 Sudafed tabs 30mg 24s	Tylenol extra-strength caps 24s	Alka Seltzer plus 36s
22 Pepto Bismol 4 oz.	Alka Seltzer plus 36s	Tylenol extra-strength caps 24s
23 Contac capsules 10s	Robitussin DM 8 oz.	Fleet Enema regular
24 Pepto Bismol 8 oz.	Visine eye drops ½-oz. plastic	B&L Sensitive Eyes saline 8 oz.
25 Sweet'N Low 100s	Gaviscon tabs 100	Sudafed tabs 30mg 24s
26 Bausch & Lomb saline solution 12 oz.	Advil tabs 24s	Drixoral tabs 10s
27 Robitussin DM 8 oz.	Os-Cal 500mg Tablets 60	Bausch & Lomb daily cleaner 1½ oz.
28 Robitussin 4 oz.	Maalox Plus Liquid 12 oz.	Robitussin DM 8 oz.
29 Nyquil 6 oz.	Contac capsules 10s	Pliagel cleaning solution 25ml
30 Anacin 100s	Actifed tabs 12s	Actifed tabs 12s
31 Maalox Plus Liquid 12 oz.	Alka Seltzer plus 20s	Compound W 0.31 oz.
32 Tylenol extra-strength caplets 50s	Pepto Bismol 8 oz.	Afrin nasal spray 1 oz.
33 Afrin nasal spray ½ oz.	Sudafed tabs 30mg 24s	Soflens cleaner tabs 24s
34 Tylenol tabs 24s	Fleet Enema regular	Visine eye drops ½-oz. plastic
35 Tylenol extra-strength caplets 24s	Neosporin Ointment ½ oz.	Unisol 4 saline solution 8 oz.
36 Alka Seltzer tabs 26	Correctol tabs 30s	Advil tabs 24s
37 Neosporin ointment ½ oz.	Bufferin tabs regular 100s	Correctol tabs 30s
38 Robitussin CF 4 oz.	Bausch & Lomb daily cleaner 1½ oz.	Lensept disinfecting solution 8 oz.
39 Ex-Lax chocolate 18	Afrin nasal spray 1 oz.	Robitussin CF 4 oz.
40 Tums assorted 3-pack	Dexatrim 15-hour caffeine-free 20s	Neosporin Ointment ½ oz.
41 Sudafed S.A. 10s	Robitussin CF 4 oz.	Sudafed S.A. 10s
42 Benylin cough syrup 4 oz.	Tylenol extra-strength caplets 100s	Tinactin athletic foot cream 15gm
43 Advil tabs 50s	Compound W .31 oz.	Ensure Plus 8 oz. 4-6 pack case
44 Correctol tabs 30s	Tinactin athletic foot cream 15gm	Dexatrim 15-hour caffeine-free 20s
45 Alka Seltzer Plus 36s	Tylenol tabs 100s	Equal packets 100s
46 Tylenol child chew tabs 30s	Soflens cleaner tabs 24s	Softlens cleaner tabs 36s
47 Slim Fast powder choc. 16 oz.	Unisol 4 saline solution 8 oz.	Pepto Bismol 8 oz.
48 Bausch & Lomb daily cleaner 1½ oz.	Triaminic syrup 4 oz.	Tears Naturale 15ml
49 Bufferin tabs regular 100s	Sudafed S.A. 10s	Bausch & Lomb saline solution 12 oz.
50 Rolaids Peppermint 3-pack	Equal packets 100s	Dexatrim extra-strength w/c 20s

Top 100 OTC Products Ranked

Unit Sales	Dollar Sales	Gross Profit Dollars
51 Visine A.C. eye drops ½ oz.	Excedrin tabs 100s	Pepto Bismol 4 oz.
52 Triaminic syrup 4 oz.	Tylenol extra-strength caplets 24s	Tylenol extra-strength caplets 24s
53 Benadryl 25mg 24s	Pepto Bismol 4 oz.	Soft Mate ps saline 12 oz.
54 Centrum tabs 100+30	Pliagel cleaning solution 25ml	Visine A.C. eye drops ½ oz.
55 Maalox Plus 3-roll pack	Soflens cleaner tabs 36s	Afrin nasal spray ½ oz.
56 Unisol 4 saline solution 8 oz.	Visine A.C. eye drops ½ oz.	Tylenol child chew tabs 30s
57 Os-Cal 500mg tablets 60	Tylenol child chew tabs 30s	Ecotrin tabs 5gr 100s
58 Bayer aspirin 24s	Dexatrim extra-strength w/c 20s	Tylenol tabs 24s
59 Dimetapp Elixir 4 oz.	Robitussin 4 oz.	Tums Peppermint 150
60 Anacin-3 max.-strength tabs 30s	Tears Naturale 15ml	Benzedrex Inhaler
61 Pliagel cleaning solution 25ml	Afrin nasal spray ½ oz.	Anacin-3 maximum-strength tabs 30s
62 Flex-Care 12 oz.	Tylenol tabs 24s	Gaviscon tabs 100
63 Os-Cal 250mg tablets 100	Anacin-3 maximum-strength tabs 30s	Opti-Clean hard/soft solution 20ml
64 Dexatrim 15-hr caffeine-free 20s	Tums Peppermint 150s	Ex-Lax pills 30
65 Rolaids Spear 3-pack	Maalox Liquid 26 oz.	Robitussin 4 oz.
66 Tums assorted single roll	Ex- Lax pills 30	Ex-Lax chocolate 18
67 Afrin nasal spray 1 oz.	Opti-Clean hard/soft solution 20ml	Doxidan capsules 10s
68 Kaopectate 8 oz.	Kaopectate 8 oz.	Murine plus eye drops 0.5 oz.
69 Gaviscon tabs 100	Ex-Lax chocolate 18	Opti-zyme cleaning tabs 24s
70 Rolaids single salt free	Benzedrex Inhaler	Bayer aspirin 24s
71 Doxidan capsules 10s	Benadryl 25mg 24s	Tums assorted flavors 150
72 Acutrim tabs 40s	Tums assorted flavors 150s	Murine drops 0.5-oz. plastic
73 J&J Adhesive tape ½" x 5	Doxidan capsules 10s	Robitussin PE 4 oz.
74 Ex-Lax pills 30	Ecotrin tabs 5gr 100s	Dexatrim caffeine-free extra-strngth 20s
75 Murine Plus eye drops 0.5 oz.	Murine plus eye drops 0.5 oz.	Tinactin powder
76 Murine drops 0.5-oz. plastic	Bayer aspirin 24s	Tums Peppermint 3-pack
77 Bausch & Lomb saline solution 8 oz.	Metamucil powder 21 oz.	Kaopectate 8 oz.
78 Ben Gay greaseless 1¼ oz.	Os-Cal 250mg tablets 100	Sinex long-acting ½ oz.
79 Metamucil powder orange 14 oz.	Alka Seltzer foil 36	Freezone corn remover 0.31 oz.
80 Alka Seltzer foil 36	Murine drops 0.5-oz. plastic	Alka Seltzer foil 36s
81 Tylenol extra-strength tabs 100s	Micropore tape 1" x 36	Vicks Vaporub jar 1.5 oz.
82 Equal packets 100s	Soft Mate ps saline 12 oz.	Soflens lens cleaner kit
83 Benzedrex Inhaler	Tylenol extra-strength tabs 200s	Rolaids Spearmint 3-pack
84 Tinactin cream 15gm	Tylenol extra-strength caps 100s	Benadryl 25mg 24s ½%
85 Dimetapp Extentabs 12s	Sweet'N Low 100s	Neo Synephrine 12% 15ml spray
86 Tums Peppermint 150s	Ensure Plus 8 oz. 4-6 pack case	Tylenol extra-strength caplets 100s
87 Lensept disinfecting solution 8 oz.	Tylenol child elixir 4 oz.	Dimetapp Elixir 4 oz.
88 Tums assorted flavors 150s	Tums Peppermint 3-pack	Dristan tabs 24s
89 Vicks Vaporub jar 1.5 oz.	Dexatrim caffeine-free extra-str 20s	Anacin 100s
90 Tylenol tabs 100s	Slim Fast powder choc. malt 16 oz.	Drixoral tabs 20s
91 Ensure Van. 8 oz. 4-6-pack case	Riopan Plus Liquid 12 oz.	Tylenol child elixir 4 oz.
92 Chlor-Trimeton tabs 4mg 24s	Opti-zyme cleaning tabs 24s	Ben Gay greaseless 1¼ oz.
93 Dexatrim extra-strength 20s	Contac capsules 20s	Dexatrim 15 hour caffeine-free 40s
94 Compound W Solution 0.31 oz.	Dristan tabs 24s	Dimetapp Extentabs 12s
95 Ecotrin tabs 5gr 100s	Slim Fast powder strawberry 16 oz.	Alka Seltzer foil 12s
96 Neosporin ointment 1 oz.	Tylenol child drops ½ oz.	Sinutab II max. strength tabs 24s
97 Opti-Clean hard/soft solution 20ml	Ben Gay greaseless 1¼ oz.	Metamucil Powder 21 oz.
98 Riopan Plus Liquid 12 oz.	Vicks Formula 44D 4 oz.	Triaminic syrup 4 oz.
99 Dexatrim extra-strength 40s	Advil tabs 100s	Chlor-Trimeton tabs 4mg 24s
100 Vicks Formula 44D 4 oz.	Tylenol extra-strength tabs 30s	Sweet'N Low 100s

Source: Drug Store News Product Movement Survey

Cough/cold takes lion's share of Top 100

The sale of cough and cold products continues to dominate the list of Top 100 OTC products moved through chain drug stores.

According to *Drug Store News*' 1986 Annual Study of the 100 Best-Selling OTCs, 25% were cough and cold products, based on unit sales. This represented a drop of 5% over last year's results.

But more cough and cold products made it to the Top 100 list based on retail dollars—22% compared with 16% last year.

A drop in unit movement was also seen in the analgesic category. This year's study reveals that 17% of the Top 100 OTC's were analgesics, compared with 24% last year. Analgesics were the second fastest moving products in the Top 100 list.

Analgesics, based on dollar sales, dipped only 1% compared with last year (24% vs. 23%).

But there is good news for antacids, the third fastest moving OTC category. Antacid products were up in unit sales, dollar sales and gross profit dollars.

Antacids accounted for 19% of the Top 100 OTC products moved through the chains, compared with 15% last year.

In dollar sales and gross profit dollars, antacids showed an increase of 5% and 4%, respectively (14% and 12%, respectively, this year, compared with 8% for both categories last year).

Rx-to-OTC products continue to play a major role in the cough and cold category. Almost half (44%) were switched products.

Two new cough and cold products to make the Top 100 list this year were Parke Davis' Benadryl, 25mg capsules, and A. H. Robins' Dimetapp Elixir, 4 oz., both Rx-to-OTC switches.

The list also included some perennial favorites like Vicks Nyquil liquid, 6 oz. (the fastest moving cough and cold product in the Top 100); Vicks Formula 44-D Cough Formula; Schering's Afrin nasal spray and Chlor-Trimeton tabs, 4mg 24s; and Smith Kline & French's Contac capsules, 10s. (The study was done prior to tampering incidents.)

Four products were present in two sku's. These included Nyquil liquid, 6 oz. and 10 oz.; Robitussin DM, 4 oz. and 8 oz.; Actifed tabs, 12s and 24s; and Afrin Nasal spray, ½ oz. and 1 oz.

Nyquil, 6 oz., and Actifed tablets, 24s, ranked No. 1 in dollar sales and gross profit dollars, respectively.

Analgesics

Tylenol products continue to have a commanding niche in the Top 100 OTC products based on unit movement.

More than half (53%) of the analgesics in this year's list were Tylenol products, an increase of 5% over last year.

The only ibuprofen product to make the Top 100 was Whitehall's Advil tablets. Advil placed two sku's in the best selling analgesic column, 24s and 50s. The success of Advil is evident when this year's list is compared with last year's.

Last year, Advil 50s was the only sku of the product to make the Top 100 list. Within the analgesic category last year, Advil 50s was the 21st fastest moving product, compared with 11th this year. But the real story is in Advil 24s.

This year, Advil 24s was the sixth best selling analgesic among 17 analgesics represented, and the 20th best selling overall product in the Top 100.

Advil's success had a direct negative effect on aspirin-containing analgesics.

Bayer aspirin 100s, last year's analgesic leader, dropped this year to second place within the analgesic category and dropped seven positions in the Top 100 standing, while Anacin tabs 100s, last year's second best seller within the category, dropped to seventh place in this year's listing (and dropped 21 positions in this year's Top 100 listing).

Antacids

The outcome of the battle in the antacid market remained unchanged, with Mylanta liquid, 12 oz., once again topping Maalox liquid, 12 oz., as the analgesics market leader.

Successful advertising campaigns for such antacid products as Gaviscon and Tums boosted the number of antacid products. Both products made the Top 100 based on all three barometers, unit sales, dollar sales and gross profit dollars.

Eye care

Perennial favorite Visine eye drops took a backseat this year to Bausch & Lomb's Sensitive Eyes Saline, 12 oz.

Bausch & Lomb grabbed four sku's with its popular saline solutions: Sensitive Eyes Saline, 12 oz. (No. 1 in category, No. 3 in Top 100), Sensitive Eyes Saline, 8 oz. (No. 3 in category, No. 19 in Top 100), Saline Solution, 12 oz. (No. 4 in category, No. 26 in Top 100), and Saline Solution 8 oz. (No. 12 in category, No. 77 in Top 100).

Cough & Cold: Dollar sales

Brand	Rank in category	Rank in top 100
Nyquil 6oz	1	3
Actifed tabs 24s	2	5
Nyquil 10oz	3	6
Robitussin DM 4oz	4	7
Drixoral tabs 10s	5	14
Alka Seltzer Plus 36s	6	22
Robitussin DM 8oz	7	23
Contac capsules 10s	8	29
Actifed tabs 12s	9	30
Alka Seltzer Plus 20s	10	31
Sudafed tabs 30mg 24s	11	33
Afrin nasal spray 1oz	12	39
Robitussin CF 4oz	13	41
Triaminic syrup 4oz	14	48
Sudafed S.A. 10s	15	49
Robitussin 4oz	16	59
Afrin nasal spray ½oz	17	61
Benzedrex inhaler	18	70
Benadryl 25mg 24s	19	71
Contac capsules 20s	20	93
Dristan tabs 24s	21	94
Vicks formula 44D 4oz	22	98

Cough & Cold: Unit sales

Brand	Rank in category	Rank in top 100
Nyquil liquid 6oz	1	4
Robitussin DM 4oz	2	5
Actifed tabs 12s	3	8
Drixoral tabs 10s	4	11
Actifed tabs 24s	5	13
Alka Seltzer Plus 12s	6	17
Sudafed tabs 30mg 24s	7	21
Contac capsules 10s	8	23
Robitussin DM 8oz	9	27
Robitussin 4oz	10	28
Nyquil 10oz	11	29
Afrin nasal spray ½oz	12	33
Robitussin CF 4oz	13	38
Sudafed S.A. 10s	14	41
Benylin cough syrup 4oz	15	42
Alka Seltzer Plus 36s	16	45
Triaminic syrup 4oz	17	52
Benadryl 25mg 24s	18	53
Dimetapp elixir 4oz	19	59
Afrin nasal spray 1oz	20	67
Benzedrex inhaler	21	83
Dimetapp extentabs 12s	22	85
Chlor-Trimeton tabs 4mg 24s	23	92
Vicks Vaporub jar 1.5oz	24	89
Vicks Formula 44D 4oz	25	100

Analgesics: Unit sales

Brand	Rank in category	Rank in top 100
Tylenol extra str cap 50s	1	6
Bayer aspirin 100s	2	10
Tylenol extra str tab 60s	3	14
Tylenol extra str tab 30s	4	16
Tylenol extra str cap 24s	5	18
Advil tabs 24s	6	20
Anacin 100s	7	30
Tylenol extra str caplets 50s	8	32
Tylenol tabs 24s	9	34
Tylenol extra str caplets 24s	10	35
Advil tabs 50s	11	43
Tylenol child chew tabs 30s	12	46
Bufferin tabs reg 100s	13	49
Bayer aspirin 24s	14	58
Anacin-3 max str tab 30s	15	60
Tylenol extra str tabs 100s	16	81
Ecotrin tabs 5gr 100s	17	95

Analgesics: Dollar sales

Brand	Rank in category	Rank in top 100
Tylenol extra str cap 50s	1	1
Tylenol extra str tab 60s	2	4
Advil tabs 50s	3	10
Tylenol extra str tabs 100s	4	12
Anacin 100s	5	15
Tylenol extra str caplets 50s	6	17
Tylenol extra str caps 24s	7	21
Advil tabs 24s	8	26
Bufferin tabs reg 100s	9	37
Tylenol extra str caplets 100s	10	42
Tylenol tabs 100s	11	45
Excedrin tabs 100s	12	51
Tylenol extra str caplets 24s	13	52
Tylenol chew child tabs 30s	14	57
Tylenol tabs 24s	15	62
Anacin-3 max str tabs 30s	16	63
Ecotrin tabs 5gr 100s	17	74
Bayer aspirin 24s	18	76
Tylenol extra str tabs 200s	19	83
Tylenol extra str caps 100s	20	84
Tylenol child elixir 4oz	21	87
Tylenol child drops ½oz	22	96
Advil tabs 100s	23	99
Tylenol extra str tabs 30s	24	100

Antacids: Dollar sales

Brand	Rank in category	Rank in top 100
Mylanta liquid 12oz	1	9
Maalox liquid 12oz	2	13
Mylanta II liquid 12oz	3	20
Gaviscon tabs 100s	4	25
Maalox Plus liquid 12oz	5	28
Pepto Bismol 8oz	6	32
Pepto Bismol 4oz	7	53
Tums Peppermint 150s	8	64
Maalox liquid 26oz	9	65
Kaopectate 8oz	10	68
Tums asst flavors 150s	11	72
Alka Seltzer foil 36s	12	79
Tums Peppermint 3-pk	13	88
Riopan Plus liquid 12oz	14	91

Antacids: Unit sales

Brand	Rank in category	Rank in top 100
Mylanta liquid 12oz	1	9
Maalox liquid 12oz	2	12
Mylanta II liquid 12oz	3	15
Pepto Bismol 4oz	4	22
Pepto Bismol 8oz	5	24
Maalox Plus liquid 12oz	6	31
Alka Seltzer tabs 20s	7	36
Tum asst 3-pk	8	40
Rolaids Peppermint 3-pk	9	50
Maalox Plus 3-Roll pk	10	55
Rolaids Spearmint 3-pk	11	65
Tums asst single roll	12	66
Kaopectate 8oz	13	68
Gaviscon tabs 100s	14	69
Rolaids single salt-free	15	70
Alka Seltzer foil 36s	16	80
Tums asst Peppermint 150s	17	86
Tums asst flavors 150s	18	88
Riopan Plus liquid 12oz	19	98

INSIDE PHARMACY

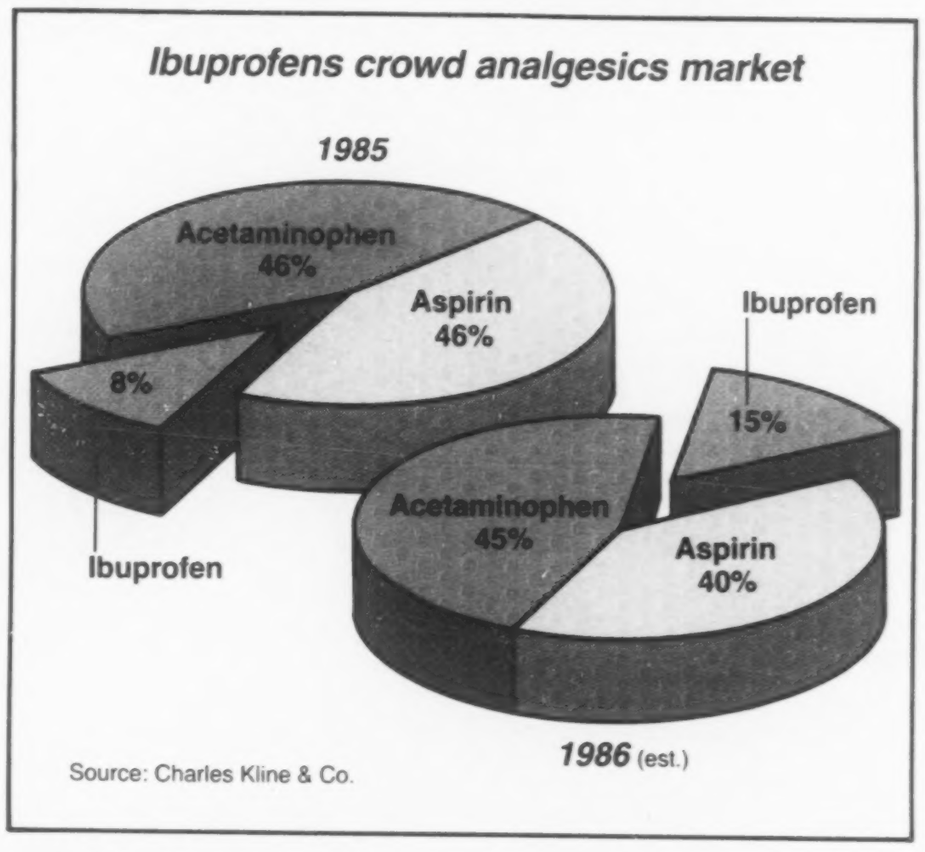
Crush of new products set for ibuprofen market

What's happening to the OTC ibuprofen market brings to mind the words "mad dash" and "cavalry charge."

In the last two months, two major ibuprofen products have been launched to join the already established Advil and Nuprin. Three more brands and three generics either have arrived or are expected momentarily.

The existence of seven brands of 200mg-strength ibuprofen will mean that aspirin and acetaminophen will lose more ground in the $1.6 billion OTC analgesic market, with aspirin products the bigger loser. However, sales of prescription ibuprofen (Upjohn's Motrin, Boots' Rufen and various generics) will remain steady as that market moves into 800mg-strength tablets.

The reason for the crush of new products is the expiration of the marketing exclusivity that gave Whitehall's Advil and Bristol-Myers' Nuprin a two-year head start. The F.D.A. gave this exclusivity—which officially ended Sept. 24—to American Home Products and Upjohn under one of the provisions of the Patent/ANDA Law.



Head start

Because Upjohn and Whitehall already had OTC marketing rights, they were able to hit the market early with two new ibuprofen products aimed for the menstrual pain subset of the analgesic market, Whitehall's Trendar and Upjohn's Haltran.

With Haltran, Upjohn is correcting the tactical error it made in licensing Nuprin out to Bristol-Myers, industry sources say. Upjohn currently manufactures Nuprin, while Bristol-Myers handles all the marketing for the product.

Big player: Medipren

The biggest of the new players will probably be McNeil Consumer Products' Medipren, scheduled to launch after Sept. 24.

Thompson Medical is also joining the September/October rush with Ibuprin, a product it will be marketing for Barr, a generic manufacturer.

Chattem will be joining Whitehall and Upjohn in the menstrual pain relief market with Midol 200.

On the generic side, Danbury, Chelsea and Par will be coming out with OTC ibuprofens. Par's generic version is to be marketed by Pennex.

Just about the only company that isn't coming out with an OTC ibuprofen is Boots, the company that created the drug. Boots prefers to license and sublicense OTC ibuprofen.

Market leader

After all the competitors have arrived, the market leader is expected to remain Advil. Advil has the name recognition and momentum that the newer brands must establish, said Hemant Shah, vp-research for Nomura Securities. "For OTC pain relievers, the product name is 40% of pain relief, because people believe in it," he said.

Nuprin will probably keep its position in second place for the same reasons, he said, adding that Medipren may do well because it will be able to capitalize on Tylenol's name.

This kind of stiff competition is the reason Whitehall, Upjohn and Chattem are looking to one area of the analgesic market that is expected to grow, the menstrual pain market. Upjohn has reported that the menstrual pain market is now $175 million in yearly sales with a 10% annual growth rate. Shah believes this market is virtually untouched.

The huge market potential for menstrual pain products is why Whitehall is bringing out a second brand of ibuprofen, its own competition to Advil. The Trendar name is one that the company used on an acetaminophen/diuretic combination a few years ago. That earlier Trendar was indicated for menstrual pain relief and was marketed only for a short time.

If the F.D.A. someday approves an OTC ibuprofen/diuretic combination product, it would put the makers of Trendar, Haltran and Midol 200 in a perfect position. Simply by adding a diuretic to their formulations, they would have a product that could take care of menstrual cramps and water weight gain. But Shah doubts the F.D.A. would ever approve such a product. There is a question of the safety of ibuprofen use for people whose fluid volume is reduced by a diuretic, he pointed out.

Finding shelf space

The sudden influx of new pain relief products leaves drug stores with a major headache: Where are they going to find shelf space for this many new brands? "Space is a problem for all OTC health and beauty aids," said Donald Gross, vp-marketing for the Genovese chain.

Genovese has a policy of adding on new products that are being supported by a big ad push, he noted. But because of the space crunch, Genovese, a 79-store chain in New York, New Jersey and Connecticut, may place the new products off-shelf in displays or dumps.

However, some room in the analgesic area has been opened up by the discontinuation of capsule medications by several analgesic makers, Gross pointed out. Some of the new ibuprofens might be placed where Tylenol and Anacin capsules once were. Trendar, Haltran and Midol 200 will take their places in the feminine hygiene section.

Walgreens' plan

Walgreens will cope with the new products by enlarging the analgesic section. "We plan to allocate more space to the ibuprofen category," said Maryellen Kari, a spokeswoman for the 1,273-store chain. But the chain expects to see a shakeout eventually, and weaker ibuprofen products will fail to make the grade.

Independent drug stores may just refuse to add on that many new products. Thomas Castellano, R.Ph., of Terry's Drugs in Bloomfield, N.J., simply does not see the need for more OTC ibuprofens.

Doubts distinctions

As for the three products to be marketed for menstrual pain, Haltran, Trendar and Midol 200, Castellano does not see the public falling for distinctions created by advertising. "Consumers are aware, and they won't just insist on a name," he said. "They know that Advil and Haltran are the same product."

Where will ibuprofen sales be coming from? Rx-strength ibuprofens—400mg and higher—lost sales early on when Advil and Nuprin were first approved, but they appear to be holding steady now, said Genovese's Gross. New ibuprofen sales will cut into sales of other OTC analgesics, he said, primarily aspirin sales.

Quinidine Gluconate, 324 mg. Sustained Release Tablets

For full prescribing information, see package insert.
A brief summary follows:

INDICATIONS AND USAGE: Quinidine Gluconate is indicated in the treatment of:
1. Premature atrial and ventricular contractions
2. Paroxysmal atrial tachycardia
3. Paroxysmal atrioventricular (AC) junctional rhythm
4. Atrial flutter
5. Paroxysmal atrial fibrillation
6. Established atrial fibrillation when therapy is appropriate
7. Paroxysmal ventricular tachycardia when not associated with complete heart block
8. Maintenance therapy after electrical conversion of atrial fibrillation and/or flutter

CONTRAINDICATIONS:
1. Idiosyncrasy or hypersensitivity to quinidine.
2. Complete A-V block.
3. Complete bundle branch block or other severe intraventricular conduction defects, especially those exhibiting a marked grade of QRS widening.
4. Digitalis intoxication manifested by A-V conduction disorders.
5. Myasthenia gravis.
6. Aberrant impulses and abnormal rhythms due to escape mechanisms.

WARNINGS:
1. In the treatment of atrial flutter, reversions to sinus rhythm may be preceded by a progressive reduction in the degree of A-V block to a 1:1 ratio resulting in an extremely rapid ventricular rate. This possible hazard may be reduced by digitalization prior to administration to quinidine.
2. Recent reports indicate that plasma concentrations of digoxin increase and may even double when quinidine is administered concurrently. Patients on concomitant therapy should be carefully monitored. Reduction of digoxin dosage should be considered.
3. Manifestations of quinidine cardiotoxicity such as excessive prolongation of the Q-T interval, widening of the QRS complex and ventricular tachyarrhythmias mandate immediate discontinuation of the drug and/or close clinical and electrocardiographic monitoring.
4. In susceptible individuals, such as those with marginally compensated cardiovascular disease, quinidine may produce clinically important depression of cardiac function such as hypotension, bradycardia, or heartblock. Quinidine therapy should be carefully monitored in such individuals.
5. Quinidine should be used with extreme caution in patients with incomplete A-V block since complete block and asystole may be produced. Quinidine may cause abnormalities of cardiac rhythm in digitalized patients and therefore should be used with caution in the presence of digitalis intoxication.
6. Quinidine should be used with caution in patients exhibiting renal, cardiac or hepatic insufficiency because of potential accumulation of quinidine in plasma leading to toxicity.
7. Patients taking quinidine occasionally have syncopal episodes which usually result from ventricular tachycardia or fibrillation. This syndrome has not been shown to be related to dose or plasma levels. Syncopal episodes frequently terminate spontaneously or in response to treatment, but sometimes are fatal.
8. A few cases of hepatotoxicity, including granulomatous hepatitis, due to quinidine hypersensitivity have been reported in patients taking quinidine. Unexplained fever and/or elevation of hepatic enzymes, particularly in the early stages of therapy, warrant consideration of possible hepatotoxicity. Monitoring liver function during the first 4-8 weeks should be considered. Cessation of quinidine in these cases usually results in the disappearance of toxicity.

PRECAUTIONS: General: The precautions to be observed include those applicable to quinidine. A preliminary test dose of single tablet of quinidine sulfate may be administered to determine if the patient has an idiosyncrasy to quinidine. Hypersensitivity to quinidine, although rare, should constantly be considered, especially during the first weeks of therapy.

Hospitalization for close clinical observation, electrocardiographic monitoring and possible determination of plasma quinidine levels is indicated when large doses are used, or with patients who present an increased risk.

DRUG INTERACTIONS:

Drug	Effect
Quinidine with digoxin	Increased plasma concentration of digoxin (SEE WARNINGS)
Quinidine with anticholinergic drugs	Additive vagolytic effect
Quinidine with cholinergic drugs	Antagonism of cholinergic effects
Quinidine with carbonic anhydrase inhibitors, sodium bicarbonate, thiazide diuretics	Alkalinization of urine resulting in decreased excretion of quinidine
Quinidine with coumarin anticoagulants	Reduction of clotting factor concentrations
Quinidine with tubocurare, succinylcholine and decamethonium	Potentiation of neuromuscular blockage
Quinidine with phenothiazines and reserpine	Additive cardiac depressive effects
Quinidine with hepatic enzyme-including drugs (phenobarbital, phenytoin, rifampin)	Decreased plasma half-life of quinidine

Carcinogenesis, Mutagenesis and Impairment of Fertility: Long-term studies in animals have not been performed to evaluate the carcinogenic potential of quinidine. There is currently no evidence of quinidine-induced mutagenesis or impairment of fertility.

Pregnancy: Teratogenic Effects: Pregnancy Category C. Animal reproduction studies have not been conducted with quinidine. There are no adequate and well-controlled studies in pregnant women. Quinidine gluconate tablets should be given to a pregnant woman only if clearly needed.

Nonteratogenic Effects: Like quinine, quinidine has been reported to have oxytocic properties. The significance of this property in the clinical setting has not been established.

Nursing Mothers: Caution should be exercised when quinidine gluconate tablets are administered to a nursing woman due to passage of the drug into breast milk.

Pediatric Use: There are no adequate and well-controlled studies establishing the safety and effectiveness of quinidine gluconate tablets in children.

ADVERSE REACTIONS: Symptoms of cinchonism, ringing in ears, headache, nausea and or disturbed vision may appear in sensitive patients after a single dose of the drug.

The most frequently encountered side effects to quinidine are gastrointestinal in nature. These gastrointestinal effects include nausea, vomiting, abdominal pain and diarrhea.

Less frequently encountered adverse reactions:

Cardiovascular: Widening of QRS complex, cardiac asystole, ventricular ectopic beats, idioventricular rhythms including ventricular tachycardia and fibrillation, parodoxical tachycardia, arterial embolism and hypotension.

Hematologic: Acute hemolytic anemia, hypoprothrombinemia, thrombocytopenia (purpura), agranulocytosis.

Central Nervous System: Headache, fever, vertigo, apprehension, excitement, confusion, delirium and syncope, disturbed hearing (tinnitus, decreased auditory acuity), disturbed vision (mydriasis, blurred vision, disturbed color perception, reduced vision field, photophobia, diplopia, night blindness, scotomat), optic neuritis.

Dematologic: Rash, cutaneous flushing with intense pruritus, urticaria. Photosensitivity has also been reported.

Hypersensitivity Reactions: Angioedema, acute asthmatic episode, vascular collapse, respiratory arrest, hepatic toxicity including granulomatous hepatitis (see WARNINGS).

Although extremely rare, there also have been reports of lupus erythematosus in patients taking quinidine. A positive association with quinidine therapy has not been established.

BOLAR
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INSIDE PHARMACY

Women invade pharmacy in record numbers

Comprise 24% active pharmacists

By Marjorie Shaffer

The floodgates in the pharmacy profession are opening to women. Not just a passing phenomenon, a demographic blip on the statistical grid, women are joining the profession in record numbers. And they will become a dominant force in pharmacy.

Consider the statistics: In 1950, only 4% of active pharmacists were women. Today, more than 24% of active pharmacists are women. Women are projected to comprise 40% of active pharmacy professionals by the beginning of the next century, according to the 1986 report to the President and Congress on the status of health personnel prepared by the U.S. Department of Health and Human Services.

By and large, the changes taking place in pharmacy are not isolated phenomena, but mirror to a large extent what is taking place in nearly all the health professions. Once professions dominated by men, now health care careers of all types are being invaded by women.

According to H.H.S., by the year 2000, women will represent 36% of all veterinarians, 23% of optometrists, 21% of physicians and 16% of dentists. And, the report notes, while women are increasingly joining these professions, no similar influx is occurring among men into professions traditionally dominated by women.

Why the influx?

Why is pharmacy in particular and the health professions in general enjoying this sudden influx of women? Many suggest it is a byproduct of the hard-fought struggles of women during the 1960's to gain more independence both in the workplace and as individuals. But certainly economics, the engine of all change, has something to do with it. Most families today need a two-career family just to make ends meet.

"The changes taking place in pharmacy are taking place in other professions as well," observed Marianne Rollings, a staff pharmacist with Richmond, Va.-based Standard Drugs and a member of the Virginia Board of Pharmacy. "Women are not afraid to take on challenges involved in scientific endeavors. There has been a surge of independence for women; they can make a career choice now, regardless of family commitment."

Rollings also believes there has been an overreaction to the large number of women entering the profession. "Students in pharmacy school are taken in on their merits and not on a gender basis," she stressed.

Enrollment dramatic

Indeed, the enrollment of women in pharmacy schools has been a dramatic development. In the 1983-84 academic year, nearly 55% of pharmacy students were women. In some schools, that percentage is now even higher. At the University of San Francisco School of Pharmacy, Dean Jere Goyan says that about 60% of the students are women. This dramatic increase, said Goyan, "may be simply due to the fact that more qualified women are applying to school."

But Goyan suggests that some people believe men are deterred from joining pharmacy because the profession no longer belongs to the small entrepreneurs. Indeed, in 1966 more than two-thirds of all pharmacists owned or worked in independent drug stores, according to the H.H.S. In 1984, the latest year for which data is available, only 30% of pharmacists worked in independent drug stores, while 33% worked for chain drug stores. The remaining pharmacists work in hospitals, industry, government or educational facilities.

The lion's share of women joining the profession work in hospitals. Women, in fact, may represent nearly two-fifths of all hospital pharmacists.

But, while chain stores and hospitals, in particular, have been major employers of pharmacists in the last 10 years, this development by itself does not explain why fewer men may be joining the profession. And fewer men *are* joining the profession. The number of men in the field is estimated to decline from 119,600 in 1984 to 112,200 by the year 2000, according to H.H.S. On the other hand, the number of women in the field is expected to more than double, to 76,100, in the year 2000, from 37,400 in 1984.

Women are joining the profession in record numbers

Year	Number of active pharmacists	Male Pharmacists	Female Pharm.	% Female Pharm.
1984	157,000	119,600	37,400	23.8%
1985	159,200	119,300	39,900	25.1
1990	170,800	117,800	53,000	31.0
1995	181,200	115,600	65,600	36.2
2000	188,200	112,100	76,100	40.4

Source: Health Resources and Services Administration, Bureau of HealthProfessions, Division of Associated and Dental Health Professions

Estimated 1984 and projected for selected years, 1985-2000

Salary factor

But is the dearth of small business opportunity really turning men away from the profession? Or is it that salaries do not increase substantially after many years in the profession?

Whatever the reasons, a variety of pharmacy observers say that women are attracted to the profession because of its flexibility, particularly in terms of part-time work. A California study, for example, reveals that women made up 56.2% of all part-time pharmacists in the state in 1985, up from 42.4% in 1984. And the survey concludes that women worked 5.3% fewer weeks in 1985 compared with 1984.

Other surveys reveal similar findings. The H.H.S. study shows that the majority of active women pharmacists worked on the average 36 hours a week, while their male counterparts logged 45 hours a week. But the study shows that women pharmacists under the age of 30 worked longer hours. While 31% of all women pharmacists worked fewer than 35 hours a week in 1984, less than 17% under the age of 30 worked part time.

Part-time myth

Indeed, one of the myths about women pharmacists is that they are attracted to the profession because they can work part time. While some women do work part time, most handle full-time pharmacy responsibilities, said Patricia Flemma, director of pharmacy recruitment for the New York State region of Rite Aid. She said that most women work full time to receive full benefits.

And most observers say that part-time work is all right as long as the individual remains committed to the profession.

Regardless of the factors involved in the onrush of women into pharmacy, the fact remains that women will have to play a more responsible role in the profession if they want to shape its direction.

Leadership training needed

"I think women in the past were not encouraged to move up in the ranks," said Rollings. "But that may have been due to the small number of women in the profession. With more women entering the profession now, more women will move up in the upper-middle-management positions. But unless women are trained in leadership roles, they are not necessarily going to be leaders," said Rollings, who is a member of the U.S. Steering Committee for the International Leadership Symposium on Women In Pharmacy, to be held in London next year. "The young women pharmacists I meet are very capable."

Indeed, Rollings points out that the United States may lag far behind in employing women pharmacists. In Europe, for example, women have long held a majority position in the field; in Sweden, nearly 80% of pharmacists are women.

Already, changes are occurring in the United States. At Pontiac, Mich.-based Perry Drugs, a spokesman said that 25% of all store managers are now women. Similar increases are seen in other chains as well.

But the fact remains that few women belong to the higher echelons of the corporate drug chain hierarchy. And even fewer women have obtained high-profile academic jobs. There are now no women who are deans of pharmacy schools, for example. "I'd be lying to you if I said there was no discrimination in pharmacy," said one woman in academia.

2nd to get tenure

One woman, in fact, an associate professor of pharmacy in the Midwest, said that she was the second woman ever to get tenure in her school. The first woman received tenure in 1925—some 60 years ago.

Nevertheless, changes are occurring. Several women are now close to, or are good candidates for, receiving a deanship. And many women in the field say that women are starting to obtain more visibility in the profession.

Indeed, as pharmacy marches into the year 2000, the role of women in the profession will undoubtedly begin to take shape.

According to estimates, 40% of active pharmacy professionals by the turn of the century will be women. Today, women comprise more than 24% of active pharmacists.

10/23/86 C5150-2

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DRUG STORE NEWS®

Vol. 8/No. 23 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. October 27, 1986

Lucky to shed Gemcos; Dayton Hudson buys 54

By Lou Karney

DUBLIN, Calif. — Lucky stores has finally decided to close its unprofitable Gemco division.

It will sell 54 of the 80 stores to Dayton Hudson for $374 million. Dayton Hudson will reopen them as Targets in the middle of 1987.

Proceeds from the eventual sale of all 80 locations are expected to total $700 million, with after-tax proceeds of about $450 million.

Some 26 locations remain to be sold, including four in Nevada, six in Arizona and 16 in California. Expansion-hungry Ralphs and Vons, who are No. 1 and No. 2 in the southern California supermarket field, are expected to make offers, sources said.

Gemco pharmacies

Of interest to drug operators is that all 80 Gemcos have prescription departments. If Target follows its Fed-Mart scenario, it will sell the Rx files. When Target bought the 33 former Fed-Mart locations in 1982, it sold the Rx files to Gemco for a reported $2 million.

Target operates 18 pharmacies in its 247-store division, and all of them are in the Minneapolis/St. Paul area. Target has installed pharmacies in new stores only in this area. Over the past years, Target has closed prescription departments in other states.

Says Ed Pelant, director of pharmacy operations for Snyder's Drug Stores: "Target's pharmacies in the Twin Cities have been making money. One reason may be that they are close to headquarters."

How will Lucky dispose of its prescription files in Gemco stores?

Lucky execs would not comment. However, there are three likely possibilities:

(1) Move the Rx departments into the closest Lucky

See **Lucky,** *page 54*

'TE NEWS....LATE NEWS....LATE NE

PAY 'N SAVE announced that Gerald Nathanson had been named vice chairman and ceo of the Seattle-based drug chain, replacing Mac Allen Culver, 44, who resigned. Nathanson, 49, was formerly vice chairman of McCrory Stores, a division of Rapid American.

Camera captures RFX winners

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37

Peoples poised to sell Fla. SDMs to Eckerd

ALEXANDRIA, Va. — Peoples Drug Stores is on the brink of selling its 36-store Shoppers Drug Mart division to Jack Eckerd Corp., apparently abandoning the promising Florida market.

At presstime, sources said Peoples was close to an agreement with Eckerd, which could use the stores itself to strengthen its grip in many growing communities.

The SDM stores, which were transferred to Peoples' control in May 1985 by parent Imasco, were to be the cornerstone of a major push into Florida growth markets. The stores are clustered in areas throughout the state, including the east coast markets of Fort Lau-

See **SDM,** *page 54*

FLORIDA LISTINGS

CHANCE OF A LIFETIME!

Entire chain for sale but owner may consider partial deal for 75 stores in exploding retirement market if price is right. Extras galore. Call Sherwin-Williams (Gray Drug Fair), Cleveland.

DON'T MISS THIS ONE!

Move right in and take over dream locations in country's hottest market. Thirty-six stores in mint condition. Must be seen to be believed. Call Peoples Drug Stores, Alexandria, Va.

ABSOLUTELY WONDERFUL!

Won't last. Fabulous diamond-in-the-rough looking for owner with a yen for market supremacy. Seventy-five top-flight locations in sunniest of markets. Call Kroger (SupeRx).

Sunbelt SupeRxs on block

By Dave Vaczek

CINCINNATI — The Kroger Co. will sell its SupeRx Drug stores in Arizona and in its Southeastern region to a buyer from outside the company, industry sources said. Most of the remaining stores—its SupeRx and Hook Drug stores in the Midwest—will be sold to an investor group comprised of management of the SupeRx and Hook chains, they added.

Sources said up to 145 stores of the 891-store division could be sold in the Sunbelt markets, where they are less valuable as continuing operations and more valuable for their real estate.

The majority of stores, as Kroger leaves the drug store business, will be organized in a private company in a $450 million to $500 million leveraged buyout, arranged by investment banker Goldman Sachs. Kroger, which said the drug assets will be sold "in a series of private transactions," possibly including a leveraged buyout, will retain a minority interest in the new company, sources say.

Retail industry sources said the supermarket giant wants to sell separately 39 stores in Phoenix and 106 stores in Florida, Alabama and Georgia to raise capital. That will mark its exit from the drug store business after 24 years as owner of SupeRx.

To Keep Fla. combos

Kroger will keep 28 SupeRx mini food/drug combos in Florida, which SupeRx had

See **SupeRx,** *page 54*

Wal-Mart/Cullum hypermarts set

BENTONVILLE, Ark. — Hypermarkets are coming to the United States, and a partnership between Wal-Mart and Cullum will accelerate that trend.

The joint venture of Wal-Mart and Cullum to build 150,000-200,000-sq.-ft. Wal-Mart Super Centers is another encroachment on drug store type merchandise: Rx, H&BA, housewares, hardware, sporting goods, photo, greeting cards, toys, lawn and garden, and auto.

Although some hypermarkets (such as Bigg's) do not have pharmacy departments, David Glass, president of Wal-Mart, told *Drug Store News:* "Wal-Mart Super Centers will have them because they are needed—not only for their traffic-drawing potential, but because they help provide a complete one-stop service. Besides, we have been very successful with pharmacies at Wal-Mart."

Glass added, "We are now working on our merchandising plan for pharmacy as well as other departments."

Originally, the stores were to have been in the 150,000-sq.-ft. range, but Glass said "they will probably be larger, because I don't think all departments will fit into 150,000 sq. ft. However, I am not sure

See **Wal-Mart,** page 54

NEWS IN BRIEF

Perry offering replacement contacts

PONTIAC, Mich. — Perry Drug has begun to offer replacement contact lenses in Michigan and Illinois stores this month, at prices it said are 40% lower than ophthalmologists and optometrists charge.

Assistant vp-merchandising Stephen Lund called the move "a natural progression of our role as a health care provider."

Perry already offers dental service, home health care supplies and durable medical equipment in many stores.

Genovese antitakeover plan in effect

MELVILLE, N.Y. — An antitakeover measure approved by shareholders at Genovese's annual meeting this summer has become effective.

Genovese Drug Stores has merged into a newly created, wholly owned subsidiary of the same name but organized under Delaware law, which gives companies greater flexibility to enact antitakeover provisions.

Holders also voted at the time to let Genovese increase its authorized number of common shares to 50 million from 20 million and divide stock into two classes with different voting rights.

All measures were intended to prevent a hostile takeover of the 80-store chain.

Wholesaler ruled not obligated to probe origin of goods

A U.S. appeals court has ruled that a New York wholesaler was not obligated to investigate agreements behind the sales of Johnson & Johnson baby products and toothbrushes it bought last year on the gray market.

In overturning a preliminary injunction issued by a district court against Quality King Manufacturing Inc. and Quality King Distributors Inc., the court said the wholesaler isn't required to conduct an "elaborate investigation" into the origin of the goods.

Quality King bought the goods, including 75,000 dozen toothbrushes, from a British diverter, who obtained them from Dal International Trading Co., a Polish company. Dal had purchased them from Johnson & Johnson under a pact that J&J alleged said they were to be sold only in Poland.

Beer bill scotched

WASHINGTON — Drug store industry lobbyists have defeated the controversial "Beer Bill" that they argued would effectively eliminate price competition among beer wholesalers, adding millions to the cost of beer prices by enforcing exclusive sales territories.

But supporters of the bill, including the National Beer Wholesalers Association, gained commitments from Senate leaders that will ensure a new congressional showdown over the "Malt Beverage Interbrand Competition Act" next year.

The bill, opposed by both NACDS and NARD, would allow brewers to enforce exclusive territories for wholesalers, forcing retailers to purchase from only one authorized distributor.

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Vol. 8, No. 23 October 27, 1986

Thrift solos with DME, carving niche in Atlanta

ATLANTA — Thrift Drug has begun its own delivery and service program for durable medical equipment in this market, following a 3½-year joint venture between a DME distributor and 280 of its stores.

The 356-store Pittsburgh-based chain will ship and service a full line of DME equipment in the Greater Atlanta market as part of its new Trust Health Care program. The program kicked off on Oct. 6 with the opening in Smyrna, Ga., of a 6,500-sq.-ft. warehouse. Since 1982, Thrift has offered the home health care equipment by displaying a brochure and 800 telephone number for ordering in an in-store fixture, with the dealer company carrying the inventory and handling delivery.

The extended commitment to the DME business is a logical tie with Thrift's emphasis on health care.

Image will carry over

"Customers have developed a trust and a good relationship with our pharmacists, and we think it's natural they will think of us for their other health care needs," a Thrift spokesman said.

Customers can order home delivery from their homes or in the store. Two former Thrift store managers, who have worked with Thrift's existing program, will also oversee operations and marketing with three delivery trucks covering the metro Atlanta area.

Thrift picked Atlanta after assessing demographic factors. Although the area supports a growing home health care market, competition from local and national DME dealers is keen, the chain source said.

Thrift will attempt to carve its share by emphasizing strong ties to the health care customer, and its retailing expertise. It will follow a detailing program to hospitals, nursing homes and doctors with an ad campaign.

"This is a business where you have to run efficiently and with customer sensitivity and have a long-term commitment," the spokesman said.

Medicare schedule dictates

DME pricing is typically driven by the Medicare schedule, with 75% to 80% of DME business typically covered by Federal reimbursement and up to 90% involving some kind of third-party payments for most or all of the costs.

Equipment will include wheel chairs, hospital beds, oxygen equipment and bathroom fixtures.

Thrift in its joint venture has sold DME equipment through 280 stores in Pennsylvania, New Jersey, Delaware, Maryland, West Virginia and Ohio.

Confidence grows

Retailers set Xmas strategies

NEW YORK — Merchants at the Associated/Affiliated fall buying show here said their inventory levels were generally on plan and they felt increasingly optimistic about the Christmas season.

No one told *Drug Store News* that this Christmas would be a margin killer. The executives of nearly 100 chains in attendance seemed to have a comfort level about sales and profits prospects, despite overall sluggish retail sales so far this year.

Indeed, Perry Drug has had good sell-through on Christmas season giftware imports that it received early and has displayed at full margin since September.

That is one strategy for keeping profits in the seasonal business. Another was noted by Gary Lefferts, president, and Gene Lerner, a partner, of Austin Drugs. They claimed it is important to set a price tone in a market by breaking first with Christmas fliers in the latter half of November. They would also set up seasonal displays at full margin by Nov. 1, they said.

Gary Hendren (left), SupeRx, chats with Mark Varnau and Mary Baker of Hook Drugs at Associated/Affiliated fall buying show which attracted close to 100 chains.

The trick to getting goods early is ordering early, buyers said, and not everyone is doing that in 1986.

Margaret Matteson Urquhart. Wellby Drugs director of merchandising, said her chain is buying more often and closer in to sales periods because this is a tough market to predict.

Associated president Ira Shain said smaller and more frequent ordering "echoes the times."

Another reason for that approach by merchants is "the lack of a lot of new merchandise this year in many categories," said Affiliated buyer Donald Vanecek.

He concurred with other merchants that this won't be a strong trade-up season for consumers, but rather a period in which they opt for basics. Buyers said they were cutting back on the number of suppliers and sku's they deal with in personal care, for instance, perhaps going with one key source and one alternate.

Retailer comments indicated they would rather risk being out of stock on a general merchandise item than having to suffer markdowns. They realize that "drug stores are the secondary choice for consumers for a lot of sundry merchandise, so they can afford to be inventory-conservative," said Vanecek.

That doesn't mean that merchandising flair has been lost entirely.

William Baxley, vp-marketing at Kerr Drug, attributed his strong back-to-school season in part to an image upgrade in its chainwide fliers. Kerr switched to full photography in its every-other-week circulars.

McKesson buys Millbrook

SAN FRANCISCO — McKesson Corp. has taken a step forward in its plans to build a national presence in service merchandising.

The $6.3 billion wholesaler acquired Millbrook Distributors of Leicester, Mass., for an undisclosed sum, adding 11 Northeastern states to its market coverage.

Millbrook is the third service merchandising firm to be acquired by McKesson during the past two years. McKesson bought Rawson Drug & Sundry of San Leandro, Calif., in 1984 and Mass Merchandisers of Harrison, Ark., last fall. The two firms service 36 states out of five distribution centers.

"Service merchandising is a high-growth distribution business, driven by the consumer trend toward one-stop shopping," said Thomas W. Field Jr., McKesson president and ceo.

Millbrook, which generates annual sales of $95 million, adds 300,000 sq. ft. of distribution center space to the McKesson stable.

FINANCIAL

Revco profits dip, but scripts remain strong

TWINSBURG, Ohio — Revco D.S. explained that a 31.2% net earnings drop in the first quarter ended Aug. 23 was caused primarily by a softening in nonpharmacy sales, higher interest costs and smaller contributions from nonretail operations.

Earnings fell to $6.4 million, down from $9.3 million in the same quarter a year ago. This occurred despite a 7% rise in sales to $627.9 million, up from $585.5 million a year earlier.

The overall drug store sales gain was also 7%. However, same-store sales increased just 3%, Revco reported. Prescription sales volume was strong, up 15.3% overall and 12.5% on a same-store basis. The number of prescriptions filled rose 6.4% overall and 3.6% on a like-drug store basis.

Strategies to raise margin rate

The chain managed to raise its overall gross margin rate by discontinuing a regional price reduction program and by starting to price more selectively on a store-by-store basis.

Expense controls also seemed to be effective. SG&A expenses were "below budget" for the quarter, Revco announced. Efforts to control inventory kept the level of merchandise on hand to just 1.5% higher than the quarter a year ago.

Revco reported further that it had no short-term debt at the end of the quarter and had a cash position of $39 million, up from $11 million a year earlier.

Meantime, Revco raised its store count by 18 to 2,049 by opening 34 stores and closing 18 "underperforming" units, the company said.

New DC for 400 stores

The chain also began to use its new 500,000-sq.-ft. distribution center, which has capacity to service 400 stores.

Revco's Odd Lot Trading division, which wholesales and retails closeout goods, operated at a loss in the quarter. The division narrowed its losses by 25%, however, the company said.

In addition, Revco stated that the $38.50 cash per share offer from Anac Holding, an investor group led by some company executives, remains subject to financing and other conditions, including approval by a majority of common shareholders. Revco said it will submit the proposal to stockholders later this year.

Arbor closes year with robust results

TROY, Mich. — Arbor Drugs reported strong sales and earnings gains in the fourth quarter and fiscal year ended July 31. The increases reflect improved operations and new store expansion, the company said.

Full year sales rose 25.7% to $151.5 million, up from $120.5 million in the prior fiscal year.

Pro forma net income for these same periods rose 45.9% to $5.3 million, up from $3.6 million in fiscal 1985.

Results include nine additional stores. Arbor operated 52 at the end of the fiscal year, up from 43 a year before.

Same store sales gains drove much of the chainwide increase, said Eugene Applebaum, chairman, president and ceo. Same store sales jumped 11.1%, and average sales per square foot rose to $339 from $323. Prescription sales accounted for 27.6% of volume, up from 25.2% in the prior year.

Fourth quarter gains were on a similar track. Sales rose 22.3% to $40.5 million, up from $33.1 million. Pro forma net income for the quarter was up 49.1% to $1.6 million from $1.1 million.

During the year, Arbor used $17.6 million in proceeds from its public stock offering of one million shares toward the purchase of 19-store Sentry Drug Stores, based in Detroit. Arbor has since closed two of the former Sentry stores to avoid sales cannibalization.

Bergen '86 earnings off

ORANGE, Calif. — Bergen Brunswig, the nation's second largest wholesaler, reported a drop in net earnings, as revenues rose in the fourth quarter and full fiscal year ended Aug. 31.

Despite the fall in earnings, chairman and ceo Emil P. Martini Jr. predicted a profitable first quarter. He added that fiscal 1987 would show "further earnings improvement" as Bergen consolidates operations from expansion and acquisitions and reduces costs and expenses.

Fourth-quarter earnings fell to $5.77 million, compared to $5.94 million in the comparable year-ago period. Meantime, revenue rose in the quarter to $794.4 million, up from $680.3 million in the year-earlier quarter.

For the full year, net earnings dropped to $20.66 million from $23.27 million in the prior fiscal year.

Earnings from continuing operations fell even more than net figures indicate. The full year results include an after-tax gain of $9.4 million from the initial public offering last July by Commtron Corp.

Earnings jump at Albertson's

BOISE, Idaho — "The very best defense against a hostile takeover," Warren McCain told Albertson's employees, "is to continue to run the most successful food and drug company in the business."

The remarks by Albertson's chairman and ceo came after Albertson's second-quarter results had been announced. It also followed the industry's largest takeover ever, of Safeway, by Kohlberg Kravis and Roberts, after a hostile run at the company by Dart Group.

"The outstanding earnings reported in the first six months of the year provided a good foundation for another record year," he said.

Albertson's six-month sales were $2.6 billion, an increase of 6% over the same period last year, and net earnings were $48 million, up 25%. Also, net earnings as a per cent of sales were 1.83%, compared with 1.55% last year.

In his references to Safeway, McCain said, "There has been a great amount of concern by many of our Albertson's people over the turmoil at one of our major competitors' organizations as a result of a takeover attempt." Regardless of the outcome, McCain said that "decades of growth and prosperity will go by the wayside."

Name	Symbol	STOCK PRICE From 09/26/86 - 10/08/86 High	Low	Close	Change Amt.	Change Pct.	52-Week High	52-Week Low	EARNINGS/SHARE Last Fiscal Year	Latest 12 Months vs Preceding 12 Months Change Amt.	Latest 12 Months vs Preceding 12 Months Change Pct.	P/E Latest P/E Ratio	DIVIDENDS Indicated Dvd. Rate Amt.	Indicated Dvd. Rate Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	58.00	54.63	57.13	2.25	4.10	71.25	52.00	4.11	-1.65 s	-29.2	14.3	.84	1.5
Arbor Drugs	ARBR	17.00	16.25	17.00	.00	.00	24.25	15.25	.72	.93 n	NC	18.3	.00	.0
Begley Co	BGLY	21.75	21.00	21.75	.75	3.57	23.50	16.00	1.27	-.27 q	-20.5	20.7	.72	3.3
Big B	BIGB	15.38	15.13	15.25	-.13	-.81	18.75	12.63	.61	-.03 s	-4.2	22.4	.00	.0
Drug Sys	DRGS	6.00	5.75	5.88	-.13	-2.08	8.25	3.75	-.36	-.78 q	-100.0	NE	.45	7.7
Fay's Drug	FAY	9.38	9.00	9.13	-.25	-2.67	11.75	8.00	.20	-.32 s	-72.7	76.0	.20	2.2
Genovese Drug	GDX	13.63	12.63	12.75	-1.13	-8.11	16.63	10.00	.73	-.66 s	-60.0	29.0	.20	1.6
Longs Drg Strs	LDG	33.63	32.25	32.75	-.88	-2.60	38.75	25.63	1.74	-.20 s	-10.4	18.9	.76	2.3
Medicare Glaser	MGCO	4.75	4.25	4.25	-.50	-10.53	5.00	3.50	-.20	-.11 q	NE	NE	.00	.0
Medicine Shoppe	MSII	29.25	28.75	28.88	-.63	-2.12	32.00	21.75	.84	.15 n	18.8	30.4	.00	.0
Perry Drug	PDS	14.38	13.13	13.88	.75	5.71	20.88	12.88	.98	-.10 n	-11.0	17.1	.22	1.6
Revco Drug	RDS	37.25	36.38	37.13	.75	2.06	39.88	24.75	1.72	.74 q	81.3	22.5	.80	2.2
Rite Aid Corp	RAD	29.13	26.75	27.50	-1.75	-5.98	35.50	21.63	1.52	.09 q	5.6	16.3	.58	2.1
Walgreen Co	WAG	31.75	30.25	30.88	.25	.82	39.50	23.25	1.53	.14 n	9.2	18.5	.50	1.6
Wholesaler's transactions														
Alco Hlth	AAHS	19.13	17.88	17.88	-1.38	-7.14	25.38	12.75	1.10	.19 n	18.3	14.5	.00	.0
Bergen Bruns	BBCA	19.25	16.88	17.75	.63	3.65	37.25	16.88	1.82	-.26 n	-14.4	11.5	.32	1.8
Bindley Wstn	BIND	11.00	10.63	10.63	-.13	-1.16	12.50	7.75	.79	.09 s	11.5	12.2	.00	.0
Cardinal Distrb	CDIC	18.50	17.75	17.75	-1.25	-6.58	25.25	14.78	1.36	.40 q	40.8	12.9	.08	.5
Durr Fillauer	DUFM	12.25	11.75	12.25	.63	5.38	16.75	9.25	.78	-.02 s	-2.5	15.5	.16	1.3
Ketchum	KCH	25.00	23.88	24.25	-.25	-1.02	25.50	15.63	.17	-.82 q	-100.0	NE	.00	.0
McKesson Cp	MCK	31.00	29.00	30.13	-.88	-2.82	33.50	23.19	1.98	.18 q	9.8	14.9	1.28	4.2
Moore Med	MMD	24.63	23.13	23.88	.13	.53	27.25	17.88	1.45	.23 s	18.3	16.0	.00	.0
Owens & Minor	OBOD	13.88	13.50	13.75	-.25	-1.79	20.25	13.38	1.14	-.03 s	-2.8	13.1	.30	2.2
Manufacturer's transactions														
Abbott Labs	ABT	45.38	41.13	44.50	2.25	5.33	55.00	27.69	1.94	.32 s	17.8	21.0	.84	1.9
Am Home Prod	AHP	76.00	71.75	76.00	2.13	2.88	94.88	54.75	4.70	.40 s	8.8	15.4	3.10	4.1
Baxter Travenol	BAX	16.75	15.50	16.00	.50	3.23	21.25	12.50	.85	.43 s	238.9	26.2	.40	2.5
Block Drugs Co	BLOCA	27.00	25.00	25.75	-.25	-.96	27.50	18.94	1.84	.15 q	8.6	13.6	.50	1.9
Bolar Pharm	BLR	23.25	21.50	21.63	-.13	-.57	32.88	13.00	.71	.13 s	18.6	26.1	.05	.2
Bristol-Myers	BMY	74.88	67.25	74.88	3.00	4.17	88.50	55.50	3.86	.24 s	6.6	19.2	2.20	2.9
Carter-Wallace	CAR	73.00	66.00	72.50	6.25	9.43	86.13	36.50	3.63	1.03 q	35.9	18.6	.80	1.1
Forest Labs	FRX	19.25	17.38	19.13	1.00	5.52	22.00	11.81	.49	.15 q	37.5	34.8	.00	.0
ICN Pharm	ICN	22.00	17.00	18.00	-.88	-4.64	34.00	9.88	-2.10	-2.20 s	-100.0	NE	.00	.0
Lilly Eli Co	LLY	70.38	64.63	70.00	3.63	5.46	83.50	44.13	3.69	.39 s	11.1	17.9	1.80	2.6
Lee Pharm	LPH	27.13	25.38	25.88	-1.13	-4.17	38.63	6.50	.40	1.62 n	450.0	13.1	.00	.0
Leiner P Nutri	PLIN	17.00	16.00	16.00	-1.00	-5.88	21.00	9.00	.81	.26 q	40.6	17.8	.00	.0
Marion Labs	MKC	38.25	33.50	36.75	.25	.68	50.00	17.38	.70	.23 f	48.9	52.5	.20	.5
Merck & Co	MRK	103.00	97.75	102.25	2.88	2.89	116.75	54.38	3.79	.76 s	21.7	24.0	2.20	2.2
Morton Thiokol	MTI	34.75	32.25	33.88	.75	2.26	40.50	30.00	2.80	.30 f	12.0	12.1	.70	2.1
Mylan Labs	MYL	13.25	11.13	13.00	1.50	13.04	18.09	9.09	.57	.24 q	63.2	21.0	.07	.5
Newport Pharm	NWPH	5.63	5.00	5.38	-.75	-12.24	14.50	4.88	-.10	-.03 q	NE	NE	.80	14.9
Par Pharm	PARP	15.00	13.25	15.00	1.00	7.14	20.25	13.25	.47	.13 n	27.7	25.0	.00	.0
Pfizer Inc	PFE	59.50	56.25	57.50	-.75	-1.29	72.88	43.75	3.44	.39 s	11.9	15.7	1.64	2.9
Robins, AH	QRAH	10.25	7.88	8.38	-1.63	-16.25	15.63	7.88	2.53	20.85 s	NE	3.1	.00	.0
Rorer Group	ROR	47.00	43.00	47.00	3.25	7.43	47.50	32.50	1.72	5.00 s	240.4	6.6	1.12	2.4
Scherer RP Co	SCHC	17.75	16.50	16.50	-.63	-3.65	20.25	11.50	-1.23	-.66 q	NE	NE	.32	1.9
Scher Plough	SGP	75.50	70.00	75.38	2.50	3.43	88.00	48.25	3.77	.44 s	12.3	18.8	1.80	2.4
Squibb Corp	SQB	103.63	96.50	96.75	-5.50	-5.38	124.13	68.25	4.20	.86 s	22.3	20.5	2.00	2.1
Sterling Drug	STY	45.00	41.50	44.63	1.63	3.78	52.00	33.75	1.83	-.48 s	-19.6	22.7	1.32	3.0
Syntex Corp	SYN	57.25	52.00	54.63	-3.25	-5.62	74.75	32.81	3.07	-1.58 f	-34.0	17.8	1.60	2.9
Thompson Med	TM	13.13	12.00	12.00	-1.00	-7.69	21.00	11.75	1.18	-.44 s	-29.1	11.2	.40	3.3
Upjohn Co	UPJ	91.00	84.50	90.50	4.88	5.69	103.75	56.75	3.29	.93 s	34.4	24.9	1.52	1.7
Warner-Lambrt	WLA	55.38	52.63	55.00	.75	1.38	63.13	34.50	-4.05	-6.15 s	-100.0	NE	1.56	2.8
Zenith Labs	ZEN	9.38	8.63	8.63	-.50	-5.48	18.31	8.00	.73	.42 s	135.5	11.8	.05	.6

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.

q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISING TRENDS

Nail care category has that Midas touch

Colored, clear press-ons flourish

For two years now, nail care has been the fastest growing area in the cosmetics category, with last year's growth about 25%, according to market researchers and manufacturers.

The most dramatic recent growth appears to be coming from nail extenders, particularly the fairly new clear and colored press-ons or stick-on artificial nails. Nail treatments are also growing fast, up about 25% in 1985 over 1984.

Sales of artificial nails or nail extenders were up about 40% to $100 million in 1985, according to manufacturer rough estimates. Now, because of the new press-on products introduced last year and still rolling out in 1986, some manufacturers in this segment are reporting growth rates in excess of 200% so far this year. Several manufacturers estimated that given such explosive growth, the total artificial nail segment could at least double in sales by year end.

Buyers and manufacturers say they don't expect the nail extender segment to peak or stabilize "at least for another year and a half." Most say that the press-ons and stick-ons have created a whole new category of extended nail users: the convenience-minded woman who has found an easy way to give herself elegant nails.

Others point out that nail extenders are making it as easy for women to change the look and color of their nails as to change lipsticks or wardrobes.

Nail extenders, however, are not the only growing category in nail care, just the most dramatic one. Everything in nail care (with the exception of the polishing pens in some regions) is hot this year, say buyers.

Growing steadily: treatments, enamels

Somewhat overshadowed by the spectacular growth of nail extenders are nail enamels, which are picking up dramatically in sales, and nail treatments, particularly strengtheners, conditioners, hardeners and lengtheners. These seem to be the category's second hottest growth area and definitely a strong positive trend for late 1986 and 1987.

According to the most conservative industry estimates, nail treatments (which include nail polish removers, nail conditioners and hardeners, among others) were up 25% to $150 million in 1985. Enamels were up 10% to $221 million. Implements, the remaining major subcategory in nail

Continued on page 12

Teenagers using nail polish

% of girls ages 12-19 using polish	Using daily	Using twice a week	Using once a week
91.1%	9.3%	34.6%	34.6%

Source: Manufacturers' estimates

Retailers creating space for high-turning nail segments

NEW YORK — With nail care the fastest growing segment of the color cosmetics category, retailers are scrambling to find more space to accommodate all the potentially high-turning sku's that manufacturers are developing.

Many chains are creating a whole new section in their cosmetics planograms just for expanding subcategories within nails, such as treatments and nail extenders. In some cases, retailers are looking at permanent endcaps with wire strips to feature nails as compactly as possible.

Retailers say that just about everything in this category is selling "very well." Best sellers are treatments and fake press-on or stick-on nails. Nail enamel sales are also growing, and implements are holding to a steady 8% rate of growth.

Harco Drug

At Harco Drug in Alabama, cosmetic buyer Penny Wade said colored press-on nail kits are doing especially well and that Harco is now planograming a special nail section into its pegged wall.

The Salle line from New Jersey has just been added to the planogram, the Sally Hansen section has been expanded to 2 ft. on the pegged wall, and Cutex has been given 4 ft.

Max Factor and Revlon nails, however, will be merchandised in the fixtures provided by the manufacturer so Harco can maintain "a family presentation" of the two brands.

Wet 'n' Wild's nails will go into their family fixture, which Harco is putting on an endcap. "For our size stores, we felt using the fixture on an endcap rather than on the wall was the best way to maximize space and impulse sales," Wade explained.

Depending on price points, Wade said her best sellers in nail are the Harco private label, Cutex and L'Oreal. Sally Hansen on a recent promotion also did "extremely well," Wade said.

The Salle 10 line, just coming in, will give Harco its first chance to feature a "whole regimen of nail care products. We don't have a complete treatment line right now," said Wade, "and Salle 10 spells out the steps to follow very nicely, so we think it will do well."

Harco, like most drug chains, is also doing more

Continued on page 16

Enamels: Growth of mass market retail sales

Type of retail outlet	1985 dollar sales (in millions)	% change vs. previous year
All drug stores	$153	17%
Chain drug stores	125	18
Independents	28	16
Mass merchandisers	32	18
Food stores	36	8
Total for mass market outlets	221	10

Source: Manufacturer estimates based on IMS and Nielsen year-end estimates. Estimates for mass merchandise and food stores may be conservative.

MERCHANDISING TRENDS

Vendors play variations on fake nail theme

Continued from page 11

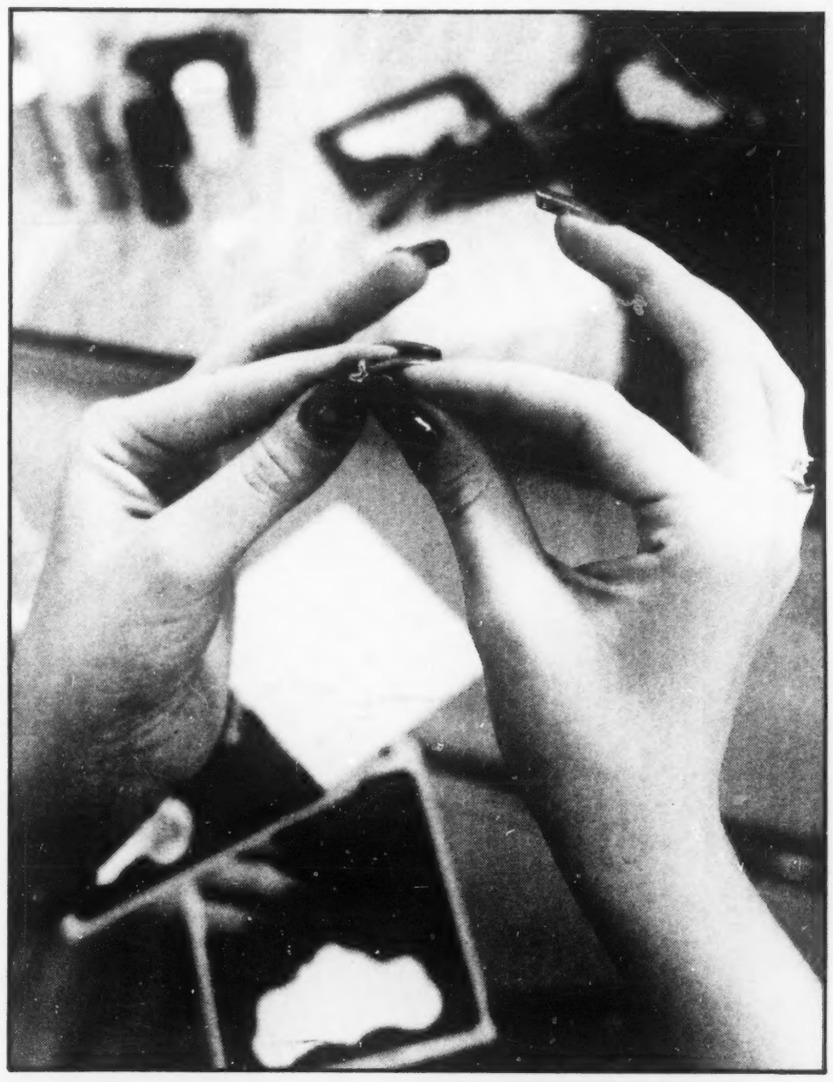
care, were up about 8% to $91 million.

Based on what retailers and manufacturers say is currently happening in these categories, 1986 growth rates will probably be even stronger and more dramatic than 1985's. Sales increases in treatments could reach or top 30% this year, and dollar sales of enamels might grow as much as 25%. Implements will probably continue at an 8%, possibly 10%, rate of growth in 1986-87.

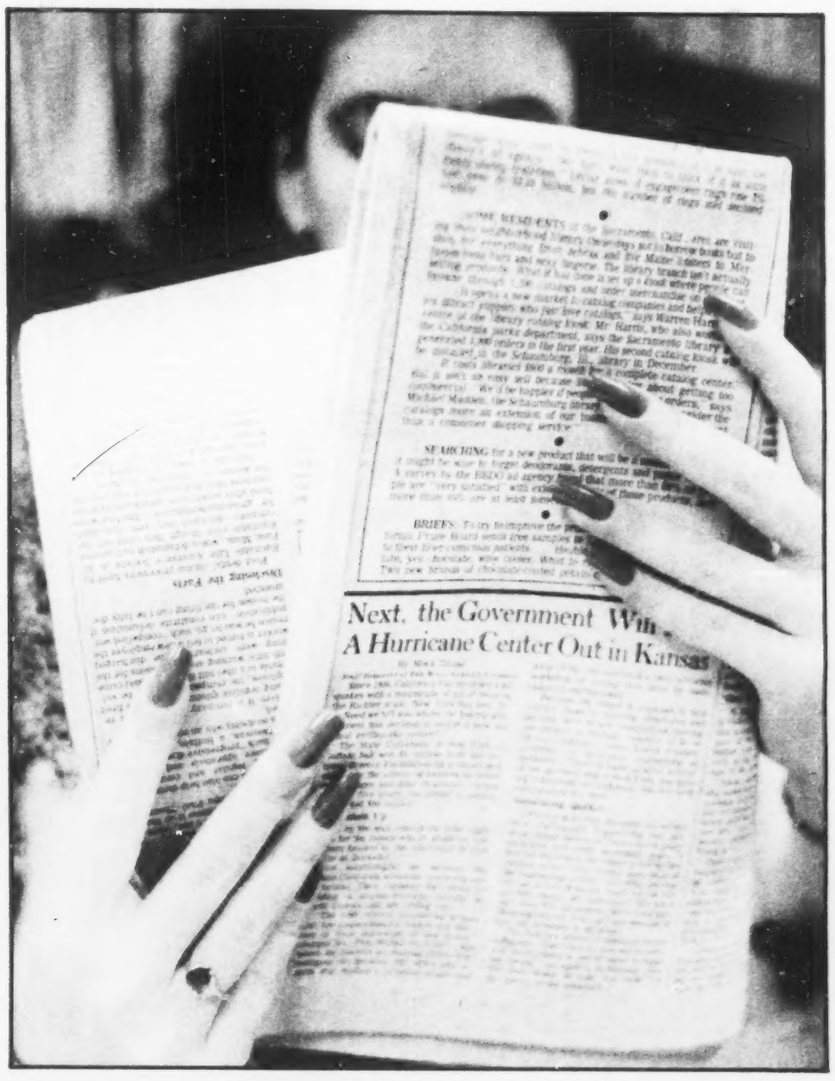
Who uses nail care products

	% of the 4.5 million women in U.S. using
Top coats	60%
Base coats	50
Hardeners/strengtheners	45

Source: Almay Cosmetics



Nail art, one of the innovations in nail glamour, generates impulse sales with women 24 and younger.



Convenience and ease of application make nail extenders popular with today's working women.

Just about all the major manufacturers are bringing out new treatment sku's in 1986 and 1987. The trend is to take the best selling type of salon items such as silk wraps or conditioners, which have to be applied according to a strict regimen, and develop them for a mass market retail shopper. Price points are significantly lower than they are in salons, and manufacturers say they have developed ways to make items such as silk wraps easy and convenient to use at home.

Colored press-ons hot

There is definitely a surge in the introduction of press-ons, but particularly in the lines of colored press-ons and shorter-length press-ons.

Since Lee Pharmaceuticals, based in South El Monte, Calif., first entered this category in the spring of last year, dozens of new players have come into the market and more plan to enter later this year and in 1987.

Retailers also say that since April, when Lee introduced the industry's first line of colored press-ons, this segment has been growing faster than the clear press-ons. As more new shades come into this segment, sales should "go through the roof," in the words of many buyers.

According to manufacturers, the growth is strong because the new press-ons are reaching a whole new market for nail extenders: the 93% of American women who have never before used artificial nails, plus the millions of American women who like the versatility of coloring press-ons in a variety of shades and then switching nail colors at will.

Yet most retailers and manufacturers say the sale of the colored press-ons are not hurting color enamel sales, but are actually helping them.

Women are buying convenience, said a cosmetician for Begley Drug. "You see a lot of women buy the clear press-ons and then buy nail enamels to color them with. It will be years, if ever, before the people who make the colored press-ons ever have as many shades or as many nice shades as the people who make the traditional nail enamels. So women buy the clear press-ons, they buy the enamels and they mix and match the looks they want."

In late 1986, manufacturers like Lee, Pico Rivera, California-based Jonee, Chicago-based Jonel, Detroit-based Pretty Nails (owned by Scherer-Thompson) and New York-based Kristy Wells are trying to appeal to an even wider section of that virgin market by introducing shorter nails for "more active women" or by rolling out sheerer, more natural nails that come closer to duplicating the natural look and flexibility of a real nail.

Lee was reporting that sales of the shorter press-ons in their first 30 days on the market were higher than their combined sales of the clear glamour and natural lengths during the first 90 days of their spectacular rollout last year.

Budget brands

With the success of the Lee press-ons in the $5-$6 price range, both retailers and manufacturers are starting to see a niche for low-priced budget nail extenders.

Many new brands are coming into the market now, most imported from Hong Kong, and retailers are advertising and merchandising them as low-priced alternatives to the more expensive press-ons.

Nail treatments

Retailers and manufacturers report that nail treatment sales have been growing dramatically since 1985. L'Oreal, Almay, Del Labs (Sally Hansen), Scherer-Thompson (Pretty Nails), Salle 10, Cutex and other manufacturers with new products in this market say their sales are "phenomenal."

Buyers say the category is being fueled by women who want long and natural nails that are easy to maintain.

Consequently, most of the new growth is focused on products that will stimulate the living nail and make it grow while hardening and stregthening the tip as it develops.

Nail colors/enamels

Currently, there are also major surges in the sales of enamels, thanks in part to new formulations and heavy advertising from companies like L'Oreal, Max Factor, Cover Girl (Noxell), Cutex, Revlon, Almay and Sally Hansen.

Continued on page 16

Nail color promotions

Company	Promotional period	Promotional theme	Comments
L'Oreal	*Fall '86*	*Win a Sun Dance*	Sweepstakes done in conjunction with Chrysler. Ten new Sun Dance cars will be given away to consumers who have the keys that will unlock them. Winning keys will be shrink wrapped to the best selling shades of Color Riche nail enamel and lipstick.
	Winter/Spring '86-'87	*Come-On Color*	For Valentine's day, shoppers who buy L'Oreal's new "graduating" shades of Color Riche nail enamel will get a free heart-shaped nail filing implement.
	Spring '87	*Annual Nail Event*	Prepacks of L'Oreal's five best selling nail care products, all will be available for 75¢ off retail.
Andrea Mod	*Winter/Spring '86-'87*	*Oh Tango Mio*	Seven new shades for nail and lip designed to help duplicate the "playful, glamorous look" popularized by actress/singer, Madonna.
	Christmas '86	*Christmas fashion*	Press-ons featuring designs of penguins skating or designs of Christmas trees.
Scherer-Thompson	*Winter/Spring '86-'87*	*Pretty Nails value pack*	Pretty Nails nail strengthener will be shrink-wrapped to Pretty Nails enamel remover. Both a $6.50 value, will be available for $4. Similar promotion planned for later in '87 features the new Pretty Nail enamels shrink-wrapped to the popular enamel remover.
Aziza	*Christmas '86*	*One Coat Nail Color*	Six new fashion shades for the holiday season. In '87, Aziza will do several shade promotions featuring its polishing pen.
Max Factor	*Spring '87*	*Stage Whispers*	Fashion promotion featuring two permanent and two promotional nail enamels as well as four lipstick shades and four Satin Shadow blush shades. Ad support will include network TV and major print.
Maybelline	*Fall, Winter '86*	*Blooming Colors*	Launching 13 shades of Blooming Colors cream nail enamels and 11 shades of frost.
	Christmas '86	*Long Wearing Nail Enamels*	Promotional holiday collection of opalescent pearl shades for the Long Wearing nail line.

Source: *Drug Store News* survey.

MERCHANDISING TRENDS

Nail care launches

Company	Brand	Quarterly launch	Comments
Nail extenders			
Andrea Mod	Nail Fakery	4th '86	Colorful packaging featuring the same Mondrian designs used by Andrea's Fusion lipsticks.
Jonee	Jonee Long Nails 4: shaped for shorter nails	1st '86	The first short-length press-on to hit the market. Retailers say sell-throughs are strong.
Jonel	Jonel Full Nails	3rd '86	Consumers can choose between the press-ons that can be worn up to three days and the three-quarter length tip that can stay on up to six weeks.
Kristy Wells	Kristy Wells Short Length press-ons	4th '86	Kristy Wells has created a $3 billion "opportunistic buy" budget to support its press-ons.
Lee Pharmaceuticals	Lee Press-ons Active Length	3rd '86	Lee's first press-ons in short length for active women. Backed by a $5 million "opportunistic buying" ad program.
Scherer-Thompson	Pretty Nails press-ons	1st '87	Clear only. Ad support will include a print campaign.
Colored nail extenders			
Jonee	Jonee precolored press-ons	4th '86	Jonee's first line of colored press-on nails—18 shades including clear. Backed with Jonee's money-back guarantee.
Lee Pharmaceuticals	Lee Fashion Colored press-ons	3rd '86	Expanding colors for natural size press-ons to nine more shades.
		1st '87	Rolling out nine colors for the Lee Press-on active length nail.
Nelson Int.	Lendine Colored press-ons and Nu-Nails colored press-ons	4th '86	Introducing 26 shades plus clear in short, middle and glamour lengths. Also introducing 12 shades to the Lendine and Nu-Nails Extra Long Sensuous Full permanent nail tips. Full Nails can be worn two weeks or more. Lendine will have about a $6.95 srp while Nu-Nails will have a $5.40 srp.
Budget press-ons			
Lee Pharmaceuticals	Penny Pinchers	3rd '86	Retails for the Penny Pinchers press-ons will be about $2 compared with about $5 for the Lee brand press-ons.
Pavion	Wet 'n' Wild	2nd '86	SRP is 99¢. Colored press-ons began shipping in August at a $1.49 srp.
Salle Beauty Labs	Emerge	3rd '86	Price points for the Emerge brand will be about 99¢.
Nail treatment			
Almay	Almay (Product names not available at presstime)	1st '87	A nail conditioner to stimulate growth in the matrix, plus a one-step fiber base coat.
Andrea Mod	Andrea Pro Strength 10	1st '86	New nail strengthener
	Andrea Professional Cuticle Treatment	1st '86	Promoting with a blister pack for both items, with a free nail brush.
	Andrea Nail Treatment line	1st '87	Repackaging whole line in packages featuring Color Fusion's Mondrian design elements
Beecham	Jovan Nail Essentials	4th '86	A limited edition holiday giftset for Christmas
Bonne Bell	Bonne Bell Diamond Formula Nail Hardener	3rd '87	Diamond dust in formula adds a protective layer to nail. Introductory quarter-ounce. sku will sell for $3.95.
Del Labs	Sally Hansen Maximum Growth	1st '86	A salon style product that must be used over a 10-day period for best results.
L'Oreal	Grow Strong	2nd '85	Two-for-one promotion breaking this quarter. Shrink wraps of Grow Strong with a Color Rich nail enamel, both for $4.25, a $2 saving.
Max Factor	Max Factor (Product name not available at presstime)	1st '87	Seven new treatment sku's made with Factor's exclusive "Silacryl" formula. Srp's will be between $2.50 and $2.75.
Maybelline	Performance Ten Beautiful Nail System with Glyoxal	4th '86	A single product with three applications: to nourish weak nails, lengthen short nails, maintain healthy nails.
Orly International	Orly Professional Nail Care	3rd '86	Launching 1st line of nail care products for retail market. The 42-sku line includes treatment and fashion enamels plus the first French Manicure kit to make transition from salon to retail.
Revlon	Natural Wonder Three Way Nail Hardener Natural Wonder Super Nails Fiber Fortifier	2nd '86	Part of new Natural Wonder repackaging and launch. Retail reaction positive.
Salle Beauty Labs	Salle 10 Nail Strengthener Salle 10 No Chip	1st '86	Salle is now shipping prepacks of new trial sizes for its strengthener and No Chip plus issuing 50¢ refund coupons for both items.
	Salle 10 Wrap-It	1st '87	A silk wrap kit that will sell for about $5. One of the first such kits made available to the retail market.
Nail colors			
Almay	Almay Nail Enamels	1st '86	New formulation for long-lasting, chip-resistant performance. Twenty-four shades on market now.
Aziza (Chesebrough-Pond's)	Aziza One Coat	1st '86	New line stressing ease of one-coat application. Twenty-four shades available now. Will launch six more promotional shades for Christmas.
Cutex Chesebrough-Pond's	Cutex Nail Enamels	1st '87	Additional formula improvements in works for this 42-sku line.
Jonee	Jonee high gloss nail lacquers	2nd '85	Ads stress that lacquer strengthens nails while glamourizing them.
L'Oreal	Color Riche	2nd '86	Extensive ad campaign stressing 10-day wear. Won't "chip off' the nail. Actress/Model Andie McDowell,"St. Elmo's Fire," is spokeswoman.
Max Factor	Max Factor Nail Enamels	2nd '86	New formulations. Good consumer response.
Revlon	Revlon Nail Enamels Natural Wonder Nail Enamels	2nd '86	Repackaged and relaunched. Good feedback for both.
Sally Hansen	Sally Hansen	4th '86	Seasonal color promos. May do a sweepstakes in early 1987.
Nail art			
Sashiba	Sashiba Twin Stripes	3rd '86	Nail decoration stripes packaged on a sheet for easy application. Twelve metallic shades in initial launch plus 12 matching designer nail jewelry to pair with the stripes.

MERCHANDISING TRENDS

Nail care sales boom has retailers hopping

Continued from page 11

advertising on the category because nails are so hot, but Wade is particularly enthusiastic about a new ad that will test Wet 'n' Wild's new 99¢ press-on nails.

Wade also said the retail price is just right for Harco's upcoming penny sale. "We'll feature the Wet 'n' Wild item at $1," she said. "It'll be buy one for 99¢ and get the other for a penny."

Wade isn't sure whether the regular Lee customers will trade down for the Wet 'n' Wild brand. She said Harco will test the line and try to determine "how much more we'll have to sell to make up for what we lose if they do trade down. The other option is we may get a whole new customer—the teenagers without a lot of bucks to spend."

SupeRx

At SupeRx, Dave Wesloh, merchandise manager, said the chain has begun using a wire wing on endcaps to highlight nails. "It allows more space for the display," said Wesloh, "and it helps solve the problem of not having enough room for nails in the basic department."

Wesloh said the fixture also lets him add about 40 more sku's of the colored press-on nails. Although some of these items are just hitting the stores, Wesloh calls this segment "hot," especially the Lee and Krazy Nails brands.

He said that although SupeRx hasn't advertised them yet, just displayed them, they are selling "beautifully. The vast majority of sales are impulse, with women buying more than one kit."

Eckerd

At Clearwater-based Eckerd in Florida, Linda Angelacci, senior cosmetic/color treatment buyer, said the category has been doing extremely well. Eckerd recently expanded space allocations for nail care, and the chain is also merchandising nail care items on wire racks on the sides of endcaps.

"The racks make it possible for us to have multiple locations for nail care displays," said Angelacci. "Plus they have the advantage of letting us carry substantially more inventory in the stores."

Angelacci said nail care sales are being fueled by such factors as "better quality in the products now on the market; more aggressive advertising from the manufacturers, particularly Lee for their press-on colored nails; and the needs of today's working women."

Peoples

At Peoples Drug, cosmetic buyer Judy Wincze said all the new items in nail care, including the colored press-ons, appear to be creating add-on sales.

"Our sales haven't dropped off in anything," she said. "It doesn't even seem to matter whose nails we're featuring. People are buying everything, and I think that may be because in many cases, they couldn't find these types of nail products in retail stores before. They could just get the treatments in beauty salons. Now, because the cost is so reasonable, everybody is starting to take better care of their nails at home."

Judy said that fake nails or nail extenders are really selling well. Peoples has created a 30-in. section on its pegged wall for fake nails. "We're selling about 40 dozen pieces a week at $6.95 with a 50% gm," Wincze said.

Perry Drug

At Perry Drug, Steve Lund, assistant vp merchandising, said nail color lines especially have been growing dramatically in the past few years. "Color now is as important as the style of fashion," he said. "We're looking at giving all our nail care lines more space."

"We're always running out of stock in that section, though," Lund said, "so we really need more space. We know we're going to be doing more in-and-out promotions with nail, and we'll be using more counter displays, more floor displays. Plus we'll be using more ends for nails and in some cases putting them out on our promotional tables."

Duane Reade

In New York City, Eli Cohen, president of Duane Reade, whose drug stores average about 4,000 sq. ft., agreed that it is "tough to find adequate display space for nails." In terms of category growth, he said, "I've never seen anything like it in my life."

Cohen worried that price points would come down too far on nail extenders. "If a drug store retailer is smart," he said, "he'll leave the low end items selling for $1.29, $1.39 and so on to the variety stores.

"In New York, Woolworth, especially, is doing a heck of a job with this segment. Their net cost for some press-on's is 70¢ and 80¢ and they're selling them for $1.99 and making a lot of money. But I'd like to stay with the better prices and leave that end of the business to the variety stores."

Nail care retail sales by category

Category	1985 sales (in millions)	% change	Share of total category sales
Nail enamels	$221	10%	39%
Nail extenders*	100	40	18
Nail treatments**	150	25	27
Nail implements***	91	8	16
Total nail care	562	25	100

*Includes traditional nail tips and semipermanent tips plus new press-ons and stick-ons. Sales volume based entirely on manufacturer estimates only.
**Includes manicure aids, nail preps, strengtheners, etc.
***Includes tweezers, filers, emory boards, etc.
Source: *Manufacturer estimates based on own research. All else: Manufacturer estimates supplemented with Nielsen and IMS year-end reports.

A Drug Emporium in Tustin, Calif., uses one of Jonee's Nail Salon Centers to create a family presentation for the 125 Jonee sku's it carries.

Vendors cater to busy woman

Continued from page 12

Nail enamels today are being marketed as products that can do more than add a pretty shade. Manufacturers are persuading consumers that the right nail enamels can protect the nails and help them grow while providing a long-wearing color and shine.

Nail polishing enamels are still the biggest category in nail care. According to some sources, nail enamels account for between 45% and 50% of total category dollar sales, but other sources say the growth in nail extender sales has expanded so fast that nail enamel's share is now closer to 39% or 40%.

Extenders, the latest estimates indicate, have about an 18% share and are growing fast, while treatments have about a 27% share, and implements, 16%.

Nail decorations

In the last two years, a new category emerged in the nail care department: nail decorations, or "nail art" as it is sometimes called. Some of the manufacturers in this segment, like Bryan Zand, the president of Miami-based Nail Art, have proven skillful in garnering press coverage in magazines like *People* and television shows like "PM Magazine."

Sashiba, of Santa Ana, Calif., which makes Stick-On Nail Jewelry and Stick-On Ear Jewelry, is also doing well in the publicity department. Sashiba's products have been featured as prizes in the CBS game show "The Price Is Right," and *Cosmopolitan* has featured their brands in some of its stories on fashion trends.

Advertising

Now that manufacturers are tracking so much growth in nail care and the new convenience products are opening up such a large new market, every major manufacturer in this category is trying to build share and sales through creative consumer ad campaigns and promotions.

Salle 10, New Jersey, which earlier this year introduced its Salle 10 nail strengthening system as well as its Salle 10 No Chip nail enamel protector, is starting to promote its line on television and in national ads. Diahann Carroll has been signed to be the spokeswoman for Salle 10.

Ted Detthoff says that Lee is currently spending $5 million a year, or about 25% of its total factory sales, on "actual dollar" advertising to promote consumer demand for all Lee's extender products. But because Lee also buys its ad time "opportunistically" or "at bargain rates whenever possible," the company will actually be generating about $40 million a year in measured media dollar spending, which is about 50% of Lee's projected 1986 sales.

Kristy Wells in New York will spend about $3 million in TV, radio and print advertising for nails in 1986 and will at least match that in 1987.

Cutex is advertising its nail care lines for the first time on television this year. Its first 26-week schedule began running last May.

Pavion is about to launch its first major print ad for Wet 'n' Wild.

This past spring, Almay relaunched its nail enamel line, and in 1987, the nail color lines will be featured in Almay's new generic television ads.

Jonee plans to continue its national network television advertising.

In Detroit, Scherer Thompson is putting Pretty Nails back on TV after some years of not doing so.

Drug chains eye fuller automation by '90

NEW YORK — Computers R Us may never be the motto of drug stores, at least in the foreseeable future.

But retail druggists are riding the coattails of supermarkets and other classes of trade whose automation efforts are regarded as about five years ahead of the retail drug industry.

By now, several dozen of the nation's leading drug chains have invested in pharmacy computer systems—as have many independents on their own and through their wholesalers.

However, such efforts aren't chainwide even among these retailers yet, and *Drug Store News* estimates that the percentage of chain drug stores equipped with pharmacy computers is still less than half.

Routine by 1990

On the bright side, many of the industry's key MIS executives predict that pharmacy computers will be routine by 1990.

Indeed, CVS, SupeRx, Harco, Rite Aid, Shoppers Drug Mart and Duane Reade are among the largest chains moving fast to equip pharmacies with data management abilities.

In the period from last April to next April, for instance, CVS will have escalated its use of pharmacy computers from 10% of its stores to 48%. SupeRx predicted it would equip 200 more of its stores by next spring to complete its chainwide rollout of pharmacy computers.

Harco said it would equip 78% of the chain with pharmacy computers within six months, up from a recent 52% level. Rite Aid expects to equip 800 stores, or an estimated 51% of the chain, with Rx computers by spring, up from a recent 35% level.

Indeed, Rite Aid is committed to having some type of automation in all stores within 18 months, vp-information services Joe Groelly told *Drug Store News*. He said it would take the form of either pharmacy computers only or pharmacy computers and scanning with communications to the headquarters computer.

Shoppers Drug Mart expects to have pharmacy computers in 49% of stores by early 1987, up from a recent level of 32%. And Duane Reade, an operator of high-volume stores in the New York downtown business center, will equip 20 of its 26 stores with pharmacy computers by spring, up from zero last spring.

Survey findings

These are some of the findings of the *Drug Store News* 1986 Computer Technology Survey, in which MIS executives and senior officials of many chains reported their technological efforts, feelings and prospects to this newspaper.

The dozens of drug retailers who responded to the survey generally reported a high correlation between what they expected pharmacy computers to do and their degree of satisfaction.

As examples, more than three-quarters of respondents ranked these pharmacy computer applications as "very important": price updates, filling in third-party forms and tracing third-party billings, keeping patient profiles and warning of possible drug interactions, side effects and adverse reactions.

These same sources said they were "extremely or very satisfied" from 53% to 90% of the time with the ability of their computer systems to fill these functions.

Chain officials felt a far lower degree of high satisfaction where other applications were concerned, however. Just 15% felt strongly that Rx computers helped to reduce shrinkage or track inventory against sales with the same effectiveness.

But these concerns were also less important to the retailers.

Marketing/advertising tool

More than two-thirds of chains who answered the survey said they were using pharmacy computers as a marketing/advertising tool. Eighty per cent of them advertised their Rx systems in newspapers and 60% on radio.

The most popular advertising themes used by more than half were: fast in-and-out service, efficient script processing, patient safety and security, ease of script renewal and superior service.

The industry has witnessed such efforts during the past year. (See *Drug Store News*, Jan. 6, 1986.) Fay's, Thrifty and Page have used humorous television commercials to de-emphasize item/price, while depicting how

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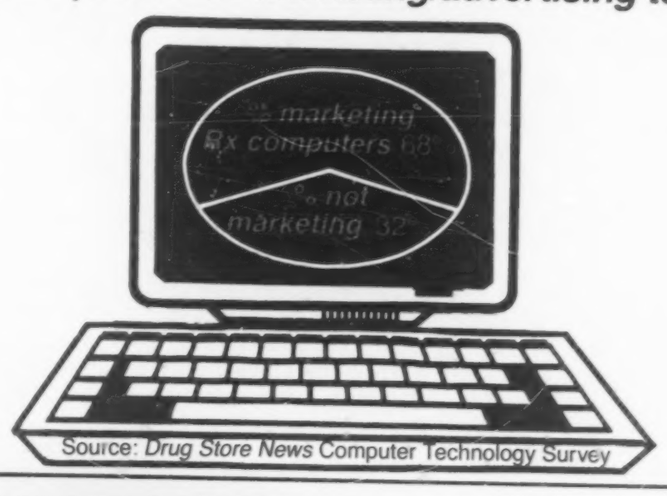
'86 Rx computers in chain drug stores

Company headquarters	Total Rx depts 4/86	Rx stores with pc's 4/86	% of total	Total est Rx depts 4/87	Est Rx stores with pc's 4/87	% of total
Walgreens, Deerfield, Ill.	1,216	1,216	100%	1,256	1,256	100%
Eckerd Clearwater, Fla.	1,593	1,025	64	na	na	na
Revco, Twinsburg, Ohio	na	na	na	na	na	na
Thrift, Pittsburgh	380	360	95	400	380	95
SupeRx, Cincinnati	547	360	66	560	560	100
Gray Drug Fair Cleveland	456	300	66	480	480	100
Fay's Liverpool, N.Y.	145	145	100	157	157	100
Shoppers Drug Mart Toronto	436	139	32	466	230	49
Big B Birmingham, Ala.	137	137	100	167	167	100
Peoples Alexandria, Va.	820	300	37	820	350	43
Rite Aid Shiremanstown, Pa.	1,460	510	35	1,560	800	51
Hook, Indianapolis	331	326	99	331	331	100
Pay Less NW Wilsonville, Ore.	188	188	100	196	196	100
Longs Walnut Creek, Calif.	215	211	98	221	219	99
Medicare-Glaser St. Louis	100	92	92	100	92	92
Genovese Melville, N.Y.	80	78	99	82	82	100
Jean Coutu Pharm Escomptes Longueuil, Quebec	90	89	99	109	109	100
Big "V" London, Ontario	81	57	70	88	75	85
K & B New Orleans, La.	143	60	42	147	103	70
Kerr Raleigh, N.C.	55	55	100	70	70	100
Boots Toronto	180	50	28	190	75	39
Standard Richmond, Va.	46	46	100	48	48	100
Taylor Louisville, Ky.	46	46	100	na	na	na
Carle, Rome, N.Y. Div. Revco	44	44	100	54	54	100
CVS Woonsocket, R.I.	400	40	10	440	210	48

Company headquarters	Total Rx depts 4/86	Rx stores with pc's 4/86	% of total	Total est Rx depts 4/87	Est Rx stores with pc's 4/87	% of total
Medi Save Baton Rouge, La.	158	40	25%	178	49	28%
Harco Northport, Ala.	58	30	52	64	50	78
Wellby Super Drug Portland, Me.	45	45	100	47	47	100
Kinney Gouveneur, N.Y.	28	28	100	29	29	100
Begley, Richmond, Ky.	40	26	65	43	43	100
Snyder Minnetonka, Minn.	54	25	46	56	56	100
Cumberland Montreal	27	24	89	35	32	91
Community Distributors Somerville, N.J.	22	21	96	24	23	96
Sentry Romulus, Mich. (div. of Arbor Drug)	19	19	100	na	na	na
Medic, Shreveport, La.	19	19	100	19	19	100
Crown Drugs Advance, N.C.	18	18	100	19	19	100
May's, Tulsa, Okla.	16	16	100	na	na	na
Bartell, Seattle, Wash.	27	15	56	29	19	66
Douglas North Providence, R.I.	11	11	100	12	12	100
Kent Mississauga, Ontario	69	10	14	70	20	29
Peterson Oakfield, N.Y.	18	8	44	18	12	67
Kopp Altoona, Pa.	7	7	100	7	7	100
Defender Tucson, Ariz.	6	6	100	7	7	100
Lewis Sioux Falls, S.D.	6	6	100	6	6	100
White St. Louis Park, Minn.	25	21	84	25	25	100
Arthur's Hartford, Conn.	8	3	38	8	4	50
Bill's Lafayette, Calif.	24	3	13	26	7	27
Duane Reade New York	26	0	0	26	20	77
Eart, Landover, Md.	76	0	0	83	3	4
Thrifty St. Louis Park, Minn.	24	12	50	24	18	75

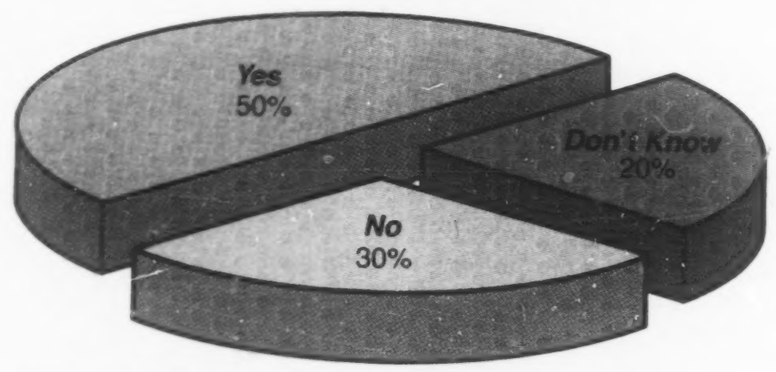
Source: *Drug Store News* 1986 Computer Technology Survey

Percent of chain drug companies using Rx computers as marketing/advertising tool



Source: *Drug Store News* Computer Technology Survey

Will the cost of scanning ever be justified?
(% of retailers opinion)



Source: *Drug Store News* Computer Technology Survey

Return

Continued from page 41

consumers relate to drug stores and the merchandise they buy there.

Fay's produced three 30-second spots about its Accu-Fay's pharmacy computer system. In one spot, a woman with noisy children approaches a pharmacist, describes a problem but doesn't recall which child had the problem before. The pharmacist punches up the patient profile,

Most frequently used media for Rx computer advertising
(Reflects % of respondents who advertise Rx computers)

Ad medium	% of respondents advertising Rx computers
Newspaper rop	80%
Radio	60
Direct mail	40
In-store signs, bag stuffers, brochures	36

Source: *Drug Store News* Computer Technology Survey

Most popular themes for Rx computer advertising

Theme	% of respondents who rate as "extremely important in their ads"
Fast in-and-out service	83%
Efficient processing of scripts	77
Patient safety and security	73
Ease of script renewal	57
Service superior to other pharmacies	50
Service unique to market	43
Cost savings for consumer	37
Ability for customers to have scripts filled in any store owned by the company	13

Source: *Drug Store News* Computer Technology Survey

Participate in the monthly **CE program.**
Contact: CE coordinator
Drug Store News
Suite 535
305 Madison Ave.
New York, N.Y.
10165-0079

The Counter

to core business spurs Rx computer rollout

saying "AccuFay's remembers everything."

Focusing on Rx systems

It's not surprising that drug chains are focusing most closely on pharmacy computer systems in their technological swing. The past year has seen many drug store operators revert to their core businesses of Rx, H&BA, OTC and cosmetics in order to compete against newer classes of retail competition such as deep discounters, warehouse clubs and increasingly aggressive Cub-like combos.

Electronic point-of-sale and scanning equipment haven't yet made nearly the inroads that pharmacy computers have made in drug stores. Industry sources said the reversion to core categories might be part of the reason.

"Chains react [to new competition] in different ways," said Chuck Sonnenberg, Peoples Drug senior vp-information systems. "Some will say to retrench, do what we know how to do best. Other managers will decide that's just the time to step on the accelerator pedal of technology. It's a reward vs. cost decision."

He said Peoples was "in the middle, cautiously optimistic." For its part, Peoples has pharmacy computers in 300 stores, or slightly more than a third of its total stores, and will equip 50 more by spring as it proceeds to rollout chainwide over the next few years.

It has electronic point-of-sale in one conventional Peoples store as part of a six-month test. Peoples would test in about 10 stores before deciding on a possible rollout. The chain also has POS in seven Bud's deep discount stores.

Edge over conventionals

Because deep discounter volume typically ranges from $3 million to $6 million and up to $10 million-$15 million annually in mature stores, operators can cost-justify the investment in front-end technology more easily than conventional stores.

All three of Woolworth's Rx Place stores have scanners. Perry has tested POS in its A. L. Price division this past year and will decide soon whether its benefits warrant rollout into conventional stores.

That's not to say conventional operators are light years behind. Walgreens, SupeRx and Rite Aid are among a handful of chains at the forefront of industry efforts to automate. In some instances, Rx computers are linked to a front-end data capture system (electronic point-of-sale or scanning) and in turn to a headquarters computer, to provide a total store management system.

Peoples' Sonnenberg predicted that "every store [in the retail drug trade] will have at least one computer in it and maybe two within five years. But there'll be significant percentages in three years."

Pharmacy and POS will be the first applications; then DSD (direct-store delivery), energy management and electronic mail will follow, he explained.

Survey findings indicated that 13.5% of chain drug store companies are linking POS registers to Rx xomputers and using the latter also to manage the front-end.

It indicated further that 40% of chain drug store retailers believe they must link in-store PC's to the POS system in order to maximize productivity benefits.

See scanning benefits

And although drug merchants haven't moved rapidly to scan in their stores, they are keenly aware of the benefits awaiting them. More than half polled, 55%, believe their stores must scan in order to attain maximum productivity benefits.

Just 23% of retailers surveyed said they are currently scanning in some stores.

Only half the retailers surveyed felt they could ever justify the cost of scanning; 30% said they couldn't ever, and 20% didn't know.

Cost factor fluid

That may change if pricing trends continue as in the past year, when microcomputer costs plummeted and their performance abilities soared. "POS devices and scanning are now very cost-beneficial," said Sonnenberg. "It's the same as word processing was five years ago. Now it's a common way of doing business."

The 100-store Medicare-Glaser chain has 92 pharmacy computers installed and two test stores with scanning, and is committed to equipping 25 stores with electronic POS, up from 15 currently, said Ray Bowman, vp-electronic data processing.

Continued on page 44

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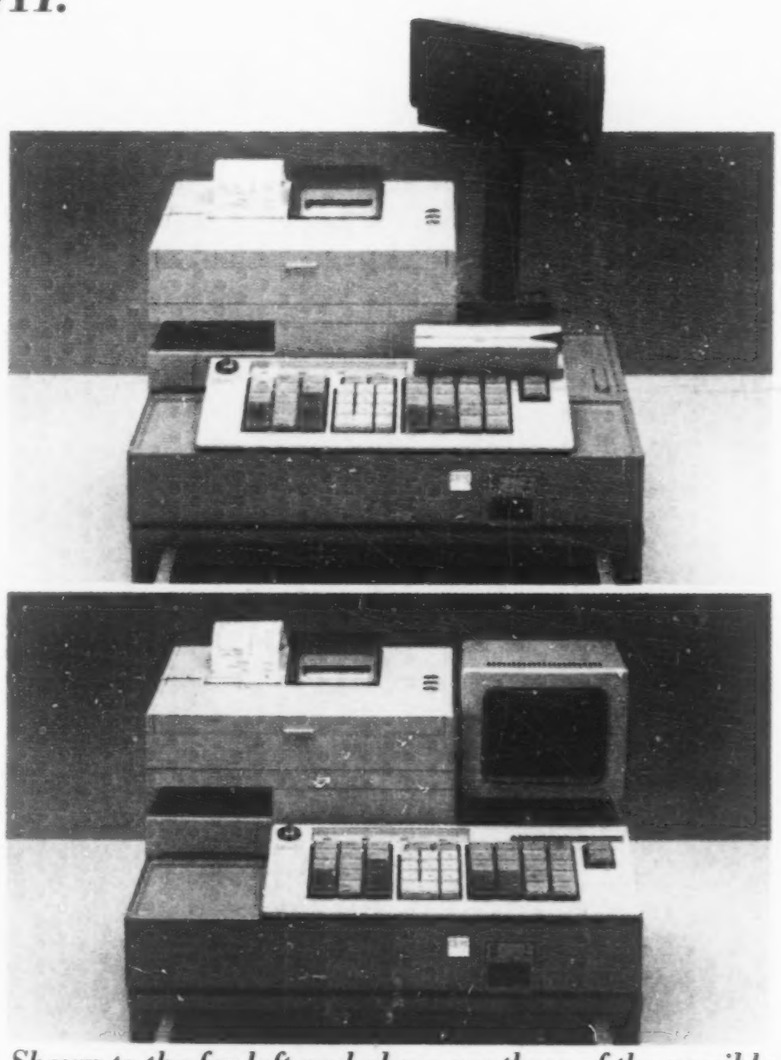

Shown to the far left and above are three of the possible configurations of the IBM 4683 Point of Sale Terminals.

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Retailer satisfaction with electronic point-of-sale registers (EPOS)

Application/benefit	% of retailers rating "very important"	% of retailers "extremely/very satisfied"	% of retailers not satisfied or not using application
Timely/accurate price updates	86%	71%	7%
Analysis of promotional effectiveness	76	43	7
Gross margin analysis	72	43	14
Reduction of out-of-stocks	69	14	36
Efficient throughput at checkout	66	14	7
Productivity increases	62	14	14
Labor cost savings through elimination of item pricing	59	21	79
Efficient labor scheduling	48	21	79
Identifying areas vulnerable to internal theft	41	21	57

Source: *Drug Store News* Computer Technology Survey

Chains try front-end systems

Continued from page 43

"We can't cost-justify integrating the Rx computer with POS," Bowman said. However, he is eying a two-year payback on the NCR POS system that Medicare-Glaser is installing to eliminate item price marking and track performance of advertised items to make fliers more effective. The POS registers are hooked into a master register that communicates with headquarters.

On a grander scale, Rite Aid made price removal (elimination of item price marking) and centralized price control its two main criteria for a front-end data management system.

The integrated Rite Aid system links pharmacy computers with its front-end scanning systems. Pharmacy software is compatible with front-end programs, enabling data to be brought from Rx to the front-end and reside in the front-end system in a separate file. Rx and front-end data can be transmitted together to the headquarters IBM mainframe with a single phone call from the host.

Rite Aid's Groelly said that scanning, through a series of hard and soft benefits, added 1 to 1.5 percentage points to supermarkets' net earnings. Price control and price removal, shrink control and inventory control are the key factors, he noted. "We'll see similar results in the drug store industry," added Groelly, a veteran of Wakefern Food.

He said further that when a chain introduces scanning to stores, it "highlights the control aspects of everyone's job in the store. It has a positive influence."

Moreover, price removal doesn't pose a consumer problem in drug stores because supermarkets have already trained shoppers, who have grown used to scanning procedures, several MIS drug industry executives agreed.

Similarly, Walgreens intends to install microcomputers chainwide by the early 1990's to augment pharmacy computers, which are already in every store.

Walgreens' WIN

Its WIN (Walgreens Information Network) system is expected to be enhanced by an on-line credit card authorization system that will save the chain almost $3 million annually in reduced bank charge fees, according to a *Drug Store News* report earlier this year. That credit card system could be in place by as early as next year.

The combined WIN and INTERCOM pharmacy computer system would make Walgreens "the most computerized and automated, by far, in the industry," chairman and ceo Charles "Corky" Walgreen told shareholders at the company's latest annual meeting.

Meanwhile, SupeRx has focused its attention on an automated cash register system that calculates ongoing gross profit.

The system, operating in 80 stores out of 540 now, gives a "projectable sample," a chain spokesman said.

It gives summary reports of gross profit yield and per cent-off transactions daily or weekly, and the hardware is plug-compatible with a hand-held scanning system, which is being tested currently in one store.

"The gross profit information obtained from the test stores is sufficient for us to estimate chainwide gross profit, but doesn't allow monitoring of individual stores or districts," said MIS director Chuck Hartman. **—Al Heller**

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Rx-80 runs on virtually any computer system, so compatibility with your existing hardware isn't a problem. And because we designed Rx-80 to be totally updatable, it will never fall prey to that old demon Obsolescence—even if you change computer systems.

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Survey shows Rxers like counseling best

NEW YORK — Practicing pharmacists prefer counseling patients about their prescriptions more than filling those prescriptions.

That was a major finding in a nationwide survey conducted by Schering Laboratories of pharmacists who practice in chain, independent, and hospital settings. The pharmacists were asked to choose their three most favored activities from a list of 15.

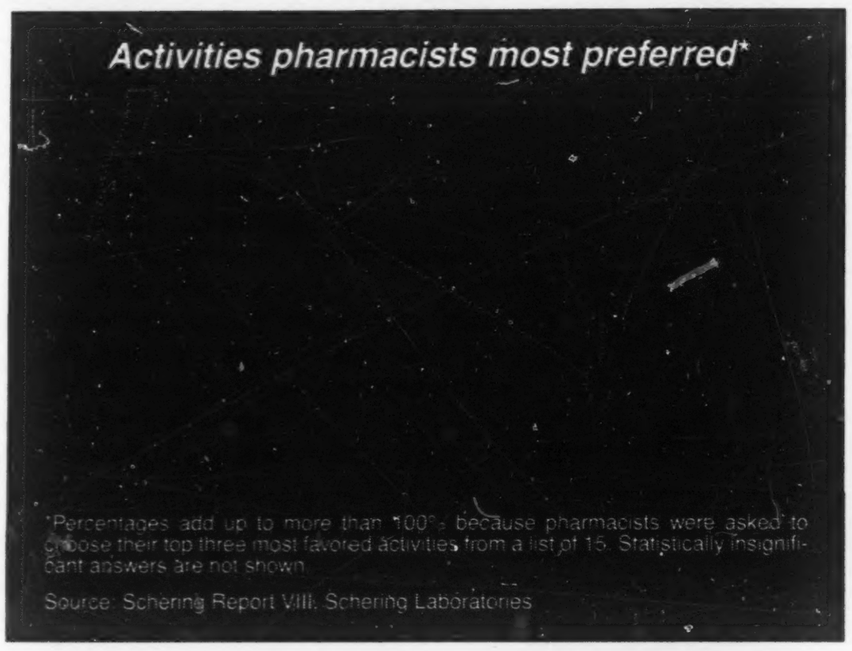
According to the Schering Report VIII, 70% of both chain and independent pharmacists surveyed said that counseling patients about their prescriptions was among the activities they most preferred, while 53% indicated that filling prescriptions was among their most preferred activities.

In other activity categories, 43% of the pharmacists said that advising patients about OTC medications was among the most important to them, while 35% indicated that consulting the physicians was among the activities considered most important.

Age differences

The report found that the pharmacist's age makes a difference in what activities he or she most prefers.

According to the study, 45% of the pharmacists under 40 said that filling prescriptions was among the most important to them, compared to 65% of those over 40.


Activities pharmacists most preferred*
*Percentages add up to more than 100% because pharmacists were asked to choose their top three most favored activities from a list of 15. Statistically insignificant answers are not shown.
Source: Schering Report VIII, Schering Laboratories

Most liked

Overall, the study indentified three distinct areas in which pharmacists would like to spend more of their time:

- Personal contacts with patients and other health professionals.
- Professional activities including maintaining patient profiles, information files and serving on professional committees.
- Educational activities like continuing education and participating in public education, particularly helping teenagers learn more about drug use and its abuse.

Most disliked

Three areas where pharmacists would like to spend less time included:

- Clerical work (insurance forms, etc.).
- Stocking shelves.
- Business (handling cash, charges and dealing with salesmen).

Pharmacist-physician relationship

More than half (57%) of pharmacists polled indicated that doctors do not treat pharmacists as equals, compared to 41% who said they do.

Of those 41% that believe the physician treats them as equals, more than half (53%) were able to recall friendly relations with doctors.

"Doctors show professional courtesy and respect," said one pharmacist. "They're friendly, call me by my first name and I call them by theirs. We have frequent contacts. They play fair with me; they talk to me in a respectful tone."

Pharmacists additionally feel that doctors treat them as equals in seeking advice. Thirty-one per cent of the pharmacists in this group said that doctors ask about drugs, dosages, side effects and advice on drug companies. Another 20% said that the physician respects the pharmacist's knowledge.

"They listen to what I say; they accept my recommendations. I have no problem with doctors," said one pharmacist.

Of those pharmacists who feel they are not treated as equals by doctors, 38% pointed to doctors putting themselves on a higher plane than the pharmacist while another 32% of this group felt that doctors often ignored the opinion of the pharmacist or talked down to them.

Pharmacists attitudes on Rx-to-OTC switching

More than half (57%) of the pharmacists questioned said that the shift of Rx products to OTC has had a definite impact on the profession while 45% said the switching has had no effect.

Of those that felt the switching has had a definite effect on the pharmacist, 29% said that it gave pharmacists a greater opportunity to counsel patients and use their professional knowledge.

Only 3% felt that the shift from Rx to OTC means filling fewer prescriptions.

Attitudes about women in pharmacy

Greater than half (56%) of the pharmacists surveyed said they felt that the entry of women into the profession would not make any difference. Slightly more than a third (35%) said that the increase in the number of women will have a positive effect and 9% felt that the entry of women will have a negative effect.

Of those 9%, the biggest complaint was that women would eventually marry and raise a family. Some believe that the pay scale would be lowered because women are willing to work for less money.

On the positive side, many said that women are more compassionate and understanding, and the increase of women in pharmacy would help to offset any shortage of pharmacists because many are willing to work part-time.

Professional memberships

Nearly half (48%) of the pharmacists surveyed said they are currently members of national professional organizations.

The most active participants in professional organizations were hospital pharmacists. The study found 67% of hospital pharmacists belong to a national pharmacy association, compared to 50% for pharmacists who work in independent pharmacies and 28% of chain pharmacists.

The study showed that more women than men (58% vs. 45%) are members of a national pharmacy association and city pharmacists greatly outnumber suburban pharmacists in membership (55% vs. 40%).

Benefits of belonging

Among the reasons given for belonging to an association were education and information (newsletters, publications etc.), financial benefits (group insurance plans), social benefits (conventions and meetings), and influence upon legislation.

Some of the reasons pharmacists gave for not joining a professional association were that the associations are not worthwhile, cost is too expensive, they just haven't gotten around to joining or they don't have the time.

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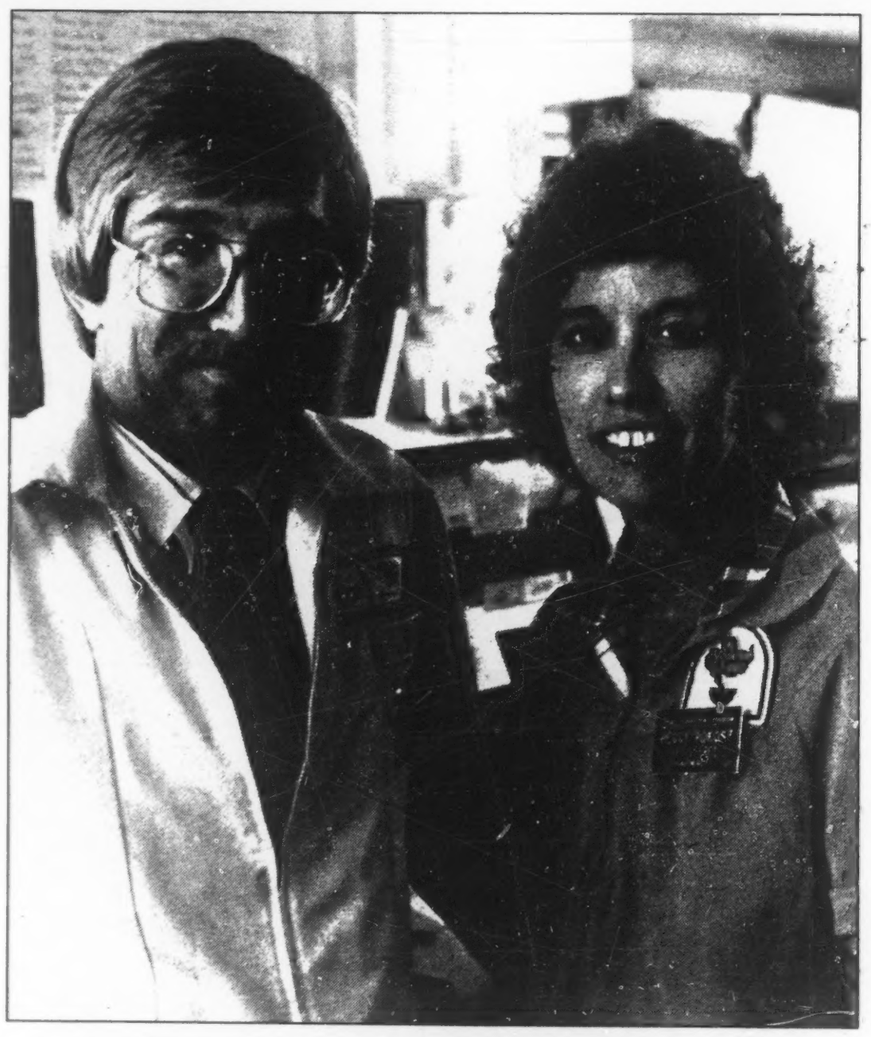

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